

# CONFERENCE REPORT ON H.R. 4919, DEFENSE AND SECURITY AS- SISTANCE ACT OF 2000

Mr. GOODLING submitted the following conference report and statement on the bill (H.R. 4919) to amend the Foreign Assistance Act of 1961 and the Arms Export Control Act to make improvements to certain defense and security assistance provisions under those acts, to authorize the transfer of naval vessels to certain foreign countries, and for other purposes:

CONFERENCE REPORT (H. REPT. 106-868)

The committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 4919), to amend the Foreign Assistance Act of 1961 and the Arms Export Control Act to make improvements to certain defense and security assistance provisions under those Acts, to authorize the transfer of naval vessels to certain foreign countries, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its disagreement to the amendment of the Senate and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment, insert the following:

## SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) **SHORT TITLE.**—This Act may be cited as the “Security Assistance Act of 2000”.

(b) **TABLE OF CONTENTS.**—The table of contents for this Act is as follows:

- Sec. 1. Short title; table of contents.
- Sec. 2. Definition.

## TITLE I—MILITARY AND RELATED ASSISTANCE

### Subtitle A—Foreign Military Sales and Financing Authorities

- Sec. 101. Authorization of appropriations.
- Sec. 102. Requirements relating to country exemptions for licensing of defense items for export to foreign countries.

### Subtitle B—Stockpiling of Defense Articles for Foreign Countries

- Sec. 111. Additions to United States war reserve stockpiles for allies.
- Sec. 112. Transfer of certain obsolete or surplus defense articles in the war reserve stockpiles for allies to Israel.

### Subtitle C—Other Assistance

- Sec. 121. Defense drawdown special authorities.
- Sec. 122. Increased authority for the transport of excess defense articles.

## TITLE II—INTERNATIONAL MILITARY EDUCATION AND TRAINING

- Sec. 201. Authorization of appropriations.
- Sec. 202. Additional requirements.

## TITLE III—NONPROLIFERATION AND EXPORT CONTROL ASSISTANCE

- Sec. 301. Nonproliferation and export control assistance.
- Sec. 302. Nonproliferation and export control training in the United States.
- Sec. 303. Science and technology centers.
- Sec. 304. Trial transit program.
- Sec. 305. Exception to authority to conduct inspections under the Chemical Weapons Convention Implementation Act of 1998.

## TITLE IV—ANTITERRORISM ASSISTANCE

- Sec. 401. Authorization of appropriations.

## TITLE V—INTEGRATED SECURITY ASSISTANCE PLANNING

### Subtitle A—Establishment of a National Security Assistance Strategy

- Sec. 501. National Security Assistance Strategy.

### Subtitle B—Allocations for Certain Countries

- Sec. 511. Security assistance for new NATO members.
- Sec. 512. Increased training assistance for Greece and Turkey.
- Sec. 513. Assistance for Israel.
- Sec. 514. Assistance for Egypt.
- Sec. 515. Security assistance for certain countries.
- Sec. 516. Border security and territorial independence.

## TITLE VI—TRANSFERS OF NAVAL VESSELS

- Sec. 601. Authority to transfer naval vessels to certain foreign countries.
- Sec. 602. Inapplicability of aggregate annual limitation on value of transferred excess defense articles.
- Sec. 603. Costs of transfers.
- Sec. 604. Conditions relating to combined lease-sale transfers.
- Sec. 605. Funding of certain costs of transfers.
- Sec. 606. Repair and refurbishment in United States shipyards.
- Sec. 607. Sense of Congress regarding transfer of naval vessels on a grant basis.
- Sec. 608. Expiration of authority.

## TITLE VII—MISCELLANEOUS PROVISIONS

- Sec. 701. Utilization of defense articles and defense services.
- Sec. 702. Annual military assistance report.
- Sec. 703. Report on government-to-government arms sales end-use monitoring program.
- Sec. 704. MTCR report transmittals.
- Sec. 705. Stinger missiles in the Persian Gulf region.
- Sec. 706. Sense of Congress regarding excess defense articles.
- Sec. 707. Excess defense articles for Mongolia.
- Sec. 708. Space cooperation with Russian persons.
- Sec. 709. Sense of Congress relating to military equipment for the Philippines.
- Sec. 710. Waiver of certain costs.

## SEC. 2. DEFINITION.

In this Act, the term “appropriate committees of Congress” means the Committee on Foreign Relations of the Senate and the Committee on International Relations of the House of Representatives.

## TITLE I—MILITARY AND RELATED ASSISTANCE

### Subtitle A—Foreign Military Sales and Financing Authorities

#### SEC. 101. AUTHORIZATION OF APPROPRIATIONS.

There are authorized to be appropriated for grant assistance under section 23 of the Arms Export Control Act (22 U.S.C. 2763) and for the subsidy cost, as defined in section 502(5) of the Federal Credit Reform Act of 1990, of direct loans under such section \$3,550,000,000 for fiscal year 2001 and \$3,627,000,000 for fiscal year 2002.

#### SEC. 102. REQUIREMENTS RELATING TO COUNTRY EXEMPTIONS FOR LICENSING OF DEFENSE ITEMS FOR EXPORT TO FOREIGN COUNTRIES.

(a) **REQUIREMENTS OF EXEMPTION.**—Section 38 of the Arms Export Control Act (22 U.S.C. 2778) is amended by adding at the end the following:

“(j) **REQUIREMENTS RELATING TO COUNTRY EXEMPTIONS FOR LICENSING OF DEFENSE ITEMS FOR EXPORT TO FOREIGN COUNTRIES.**—

“(1) **REQUIREMENT FOR BILATERAL AGREEMENT.**—

“(A) **IN GENERAL.**—The President may utilize the regulatory or other authority pursuant to this Act to exempt a foreign country from the licensing requirements of this Act with respect to exports of defense items only if the United States Government has concluded a binding bilateral agreement with the foreign country. Such agreement shall—

“(i) meet the requirements set forth in paragraph (2); and

“(ii) be implemented by the United States and the foreign country in a manner that is legally-binding under their domestic laws.

“(B) **EXCEPTION.**—The requirement to conclude a bilateral agreement in accordance with subparagraph (A) shall not apply with respect to an exemption for Canada from the licensing requirements of this Act for the export of defense items.

“(2) **REQUIREMENTS OF BILATERAL AGREEMENT.**—A bilateral agreement referred to paragraph (1)—

“(A) shall, at a minimum, require the foreign country, as necessary, to revise its policies and practices, and promulgate or enact necessary modifications to its laws and regulations to establish an export control regime that is at least comparable to United States law, regulation, and policy requiring—

“(i) conditions on the handling of all United States-origin defense items exported to the foreign country, including prior written United States Government approval for any reexports to third countries;

“(ii) end-use and retransfer control commitments, including securing binding end-use and retransfer control commitments from all end-users, including such documentation as is needed in order to ensure compliance and enforcement, with respect to such United States-origin defense items;

“(iii) establishment of a procedure comparable to a ‘watchlist’ (if such a watchlist does not exist) and full cooperation with United States Government law enforcement agencies to allow for sharing of export and import documentation and background information on foreign businesses and individuals employed by or otherwise connected to those businesses; and

“(iv) establishment of a list of controlled defense items to ensure coverage of those items to be exported under the exemption; and

“(B) should, at a minimum, require the foreign country, as necessary, to revise its policies and practices, and promulgate or enact necessary modifications to its laws and regulations to establish an export control regime that is at least comparable to United States law, regulation, and policy regarding—

“(i) controls on the export of tangible or intangible technology, including via fax, phone, and electronic media;

“(ii) appropriate controls on unclassified information relating to defense items exported to foreign nationals;

“(iii) controls on international arms trafficking and brokering;

“(iv) cooperation with United States Government agencies, including intelligence agencies, to combat efforts by third countries to acquire defense items, the export of which to such countries would not be authorized pursuant to the export control regimes of the foreign country and the United States; and

“(v) violations of export control laws, and penalties for such violations.

“(3) **ADVANCE CERTIFICATION.**—Not less than 30 days before authorizing an exemption for a foreign country from the licensing requirements of this Act for the export of defense items, the President shall transmit to the Committee on International Relations of the House of Representatives and the Committee on Foreign Relations of the Senate a certification that—

“(A) the United States has entered into a bilateral agreement with that foreign country satisfying all requirements set forth in paragraph (2);

“(B) the foreign country has promulgated or enacted all necessary modifications to its laws and regulations to comply with its obligations under the bilateral agreement with the United States; and

“(C) the appropriate congressional committees will continue to receive notifications pursuant to the authorities, procedures, and practices of section 36 of this Act for defense exports to a foreign country to which that section would apply and without regard to any form of defense export licensing exemption otherwise available for that country.

“(4) DEFINITIONS.—In this section:

“(A) DEFENSE ITEMS.—The term ‘defense items’ means defense articles, defense services, and related technical data.

“(B) APPROPRIATE CONGRESSIONAL COMMITTEES.—The term ‘appropriate congressional committees’ means—

“(i) the Committee on International Relations and the Committee on Appropriations of the House of Representatives; and

“(ii) the Committee on Foreign Relations and the Committee on Appropriations of the Senate.”.

(b) NOTIFICATION OF EXEMPTION.—Section 38(f) of the Arms Export Control Act (22 U.S.C. 2778(f)) is amended—

(1) by inserting “(I)” after “(f)”; and

(2) by adding at the end the following:

“(2) The President may not authorize an exemption for a foreign country from the licensing requirements of this Act for the export of defense items under subsection (j) or any other provision of this Act until 30 days after the date on which the President has transmitted to the Committee on International Relations of the House of Representatives and the Committee on Foreign Relations of the Senate a notification that includes—

“(A) a description of the scope of the exemption, including a detailed summary of the defense articles, defense services, and related technical data covered by the exemption; and

“(B) a determination by the Attorney General that the bilateral agreement concluded under subsection (j) requires the compilation and maintenance of sufficient documentation relating to the export of United States defense articles, defense services, and related technical data to facilitate law enforcement efforts to detect, prevent, and prosecute criminal violations of any provision of this Act, including the efforts on the part of countries and factions engaged in international terrorism to illicitly acquire sophisticated United States defense items.

“(3) Paragraph (2) shall not apply with respect to an exemption for Canada from the licensing requirements of this Act for the export of defense items.”.

(c) EXPORTS OF COMMERCIAL COMMUNICATIONS SATELLITES.—

(1) AMENDMENT OF THE ARMS EXPORT CONTROL ACT.—Section 36(c)(2) of the Arms Export Control Act (22 U.S.C. 2776(c)(2)) is amended—

(A) by striking “and” at the end of subparagraph (A);

(B) by redesignating subparagraph (B) as subparagraph (C); and

(C) by inserting after subparagraph (A) the following:

“(B) in the case of a license for an export of a commercial communications satellite for launch from, and by nationals of, the Russian Federation, Ukraine, or Kazakhstan, shall not be issued until at least 15 calendar days after the Congress receives such certification, and shall not be issued then if the Congress, within that 15-day period, enacts a joint resolution prohibiting the proposed export; and”.

(2) SENSE OF CONGRESS.—It is the sense of Congress that the appropriate committees of Congress and the appropriate agencies of the United States Government should review the commodity jurisdiction of United States commercial communications satellites.

(d) SENSE OF CONGRESS ON SUBMISSION TO THE SENATE OF CERTAIN AGREEMENTS AS TREATIES.—It is the sense of Congress that, prior to amending the International Traffic in Arms Regulations, the Secretary of State should consult with the appropriate committees of Congress for the purpose of determining whether certain agreements regarding defense trade with the United Kingdom and Australia should be submitted to the Senate as treaties.

### Subtitle B—Stockpiling of Defense Articles for Foreign Countries

#### SEC. 111. ADDITIONS TO UNITED STATES WAR RESERVE STOCKPILES FOR ALLIES.

Section 514(b)(2) of the Foreign Assistance Act of 1961 (22 U.S.C. 2321h(b)(2)) is amended to read as follows:

“(2)(A) The value of such additions to stockpiles of defense articles in foreign countries shall not exceed \$50,000,000 for fiscal year 2001.

“(B) Of the amount specified in subparagraph (A), not more than \$50,000,000 may be made available for stockpiles in the Republic of Korea.”.

#### SEC. 112. TRANSFER OF CERTAIN OBSOLETE OR SURPLUS DEFENSE ARTICLES IN THE WAR RESERVE STOCKPILES FOR ALLIES TO ISRAEL.

(a) TRANSFERS TO ISRAEL.—

(1) AUTHORITY.—Notwithstanding section 514 of the Foreign Assistance Act of 1961 (22 U.S.C. 2321h), the President is authorized to transfer to Israel, in return for concessions to be negotiated by the Secretary of Defense, with the concurrence of the Secretary of State, any or all of the items described in paragraph (2).

(2) ITEMS COVERED.—The items referred to in paragraph (1) are munitions, equipment, and material such as armor, artillery, automatic weapons ammunition, and missiles that—

(A) are obsolete or surplus items;

(B) are in the inventory of the Department of Defense;

(C) are intended for use as reserve stocks for Israel; and

(D) as of the date of the enactment of this Act, are located in a stockpile in Israel.

(b) CONCESSIONS.—The value of concessions negotiated pursuant to subsection (a) shall be at least equal to the fair market value of the items transferred. The concessions may include cash compensation, services, waiver of charges otherwise payable by the United States, and other items of value.

(c) ADVANCE NOTIFICATION OF TRANSFER.—Not less than 30 days before making a transfer under the authority of this section, the President shall transmit to the Committee on Foreign Relations of the Senate and the Committee on International Relations of the House of Representatives a notification of the proposed transfer. The notification shall identify the items to be transferred and the concessions to be received.

(d) EXPIRATION OF AUTHORITY.—No transfer may be made under the authority of this section 3 years after the date of the enactment of this Act.

### Subtitle C—Other Assistance

#### SEC. 121. DEFENSE DRAWDOWN SPECIAL AUTHORITIES.

(a) EMERGENCY DRAWDOWN.—Section 506(a)(2)(B) of the Foreign Assistance Act of 1961 (22 U.S.C. 2318(a)(2)(B)) is amended by striking “\$150,000,000” and inserting “\$200,000,000”.

(b) ADDITIONAL DRAWDOWN.—Section 506(a)(2)(A)(i) of such Act (22 U.S.C. 2318(a)(2)(A)(i)) is amended—

(1) by striking “or” at the end of subclause (II); and

(2) by striking subclause (III) and inserting the following:

“(III) chapter 8 of part II (relating to antiterrorism assistance);

“(IV) chapter 9 of part II (relating to nonproliferation assistance); or

“(V) the Migration and Refugee Assistance Act of 1962; or”.

#### SEC. 122. INCREASED AUTHORITY FOR THE TRANSPORT OF EXCESS DEFENSE ARTICLES.

Section 516(e)(2)(C) of the Foreign Assistance Act of 1961 (22 U.S.C. 2321j(e)(2)(C)) is amended by striking “25,000” and inserting “50,000”.

### TITLE II—INTERNATIONAL MILITARY EDUCATION AND TRAINING

#### SEC. 201. AUTHORIZATION OF APPROPRIATIONS.

There are authorized to be appropriated to the President \$55,000,000 for fiscal year 2001 and \$65,000,000 for fiscal year 2002 to carry out chapter 5 of part II of the Foreign Assistance Act of 1961 (22 U.S.C. 2347 et seq.).

#### SEC. 202. ADDITIONAL REQUIREMENTS.

Chapter 5 of part II of the Foreign Assistance Act of 1961 (22 U.S.C. 2347 et seq.) is amended by adding at the end the following new sections:

##### “SEC. 547. CONSULTATION REQUIREMENT.

“The selection of foreign personnel for training under this chapter shall be made in consultation with the United States defense attache to the relevant country.

##### “SEC. 548. RECORDS REGARDING FOREIGN PARTICIPANTS.

“In order to contribute most effectively to the development of military professionalism in foreign countries, the Secretary of Defense shall develop and maintain a database containing records on each foreign military or defense ministry civilian participant in education and training activities conducted under this chapter after December 31, 2000. This record shall include the type of instruction received, the dates of such instruction, whether such instruction was completed successfully, and, to the extent practicable, a record of the person's subsequent military or defense ministry career and current position and location.”.

### TITLE III—NONPROLIFERATION AND EXPORT CONTROL ASSISTANCE

#### SEC. 301. NONPROLIFERATION AND EXPORT CONTROL ASSISTANCE.

Part II of the Foreign Assistance Act of 1961 (22 U.S.C. 2301 et seq.) is amended by adding at the end the following new chapter:

#### “CHAPTER 9—NONPROLIFERATION AND EXPORT CONTROL ASSISTANCE

##### “SEC. 581. PURPOSES.

“The purposes of assistance under this chapter are to halt the proliferation of nuclear, chemical, and biological weapons, and conventional weaponry, through support of activities designed—

“(1) to enhance the nonproliferation and export control capabilities of friendly countries by providing training and equipment to detect, deter, monitor, interdict, and counter proliferation; and

“(2) to strengthen the bilateral ties of the United States with friendly governments by offering concrete assistance in this area of vital national security interest;

“(3) to accomplish the activities and objectives set forth in sections 503 and 504 of the FREEDOM Support Act (22 U.S.C. 5853, 5854), without regard to the limitation of those sections to the independent states of the former Soviet Union; and

“(4) to promote multilateral activities, including cooperation with international organizations, relating to nonproliferation.

##### “SEC. 582. AUTHORIZATION OF ASSISTANCE.

“Notwithstanding any other provision of law (other than section 502B or section 620A of this Act), the President is authorized to furnish, on such terms and conditions as the President may determine, assistance in order to carry out the purposes of this chapter. Such assistance may include training services and the provision of funds, equipment, and other commodities related to the detection, deterrence, monitoring, interdict, and prevention or countering of proliferation, the establishment of effective nonproliferation laws and regulations, and the apprehension of those individuals involved in acts of proliferation of such weapons.

##### “SEC. 583. TRANSIT INTERDICTION.

“(a) ALLOCATION OF FUNDS.—In providing assistance under this chapter, the President should ensure that not less than one-quarter of

the total of such assistance is expended for the purpose of enhancing the capabilities of friendly countries to detect and interdict proliferation-related shipments of cargo that originate from, and are destined for, other countries.

“(b) PRIORITY TO CERTAIN COUNTRIES.—Priority shall be given in the apportionment of the assistance described under subsection (a) to any friendly country that has been determined by the Secretary of State to be a country frequently transited by proliferation-related shipments of cargo.

**“SEC. 584. LIMITATIONS.**

“(The limitations contained in section 573 (a) and (d) of this Act shall apply to this chapter.

**“SEC. 585. AUTHORIZATION OF APPROPRIATIONS.**

“(a) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to the President to carry out this chapter \$129,000,000 for fiscal year 2001 and \$142,000,000 for fiscal year 2002.

“(b) AVAILABILITY OF FUNDS.—Funds made available under subsection (a) may be used notwithstanding any other provision of law (other than section 502B or 620A) and shall remain available until expended.”

“(c) TREATMENT OF FISCAL YEAR 2001 APPROPRIATIONS.—Amounts made available by the Foreign Operations, Export Financing, and Related Programs Appropriations Act, 2001, under ‘Nonproliferation, Antiterrorism, Demining, and Related Programs’ and ‘Assistance for the Independent States of the Former Soviet Union’ accounts for the activities described in subsection (d) shall be considered to be made available pursuant to this chapter.

“(d) COVERED ACTIVITIES.—The activities referred to in subsection (c) are—

“(1) assistance under the Nonproliferation and Disarmament Fund;

“(2) assistance for science and technology centers in the independent states of the former Soviet Union;

“(3) export control assistance; and

“(4) export control and border assistance under chapter 11 of part I of the Foreign Assistance Act of 1961 (22 U.S.C. 2295 et seq.) or the FREEDOM Support Act (22 U.S.C. 5801 et seq.).”

**SEC. 302. NONPROLIFERATION AND EXPORT CONTROL TRAINING IN THE UNITED STATES.**

Of the amounts made available for fiscal years 2001 and 2002 under chapter 9 of part II of the Foreign Assistance Act of 1961, as added by section 301, \$2,000,000 is authorized to be available each such fiscal year for the purpose of training and education of personnel from friendly countries in the United States.

**SEC. 303. SCIENCE AND TECHNOLOGY CENTERS.**

(a) AVAILABILITY OF FUNDS.—Of the amounts made available for the fiscal years 2001 and 2002 under chapter 9 of part II of the Foreign Assistance Act of 1961, as added by section 301, \$59,000,000 for fiscal year 2001 and \$65,000,000 for fiscal year 2002 are authorized to be available for science and technology centers in the independent states of the former Soviet Union.

(b) SENSE OF CONGRESS.—It is the sense of Congress, taking into account section 1132 of H. R. 3427 of the One Hundred and Sixth Congress (as enacted by section 1000(a)(7) of Public Law 106-113), that the practice of auditing entities receiving funds authorized under this section should be significantly expanded and that the burden of supplying auditors should be spread equitably within the United States Government.

**SEC. 304. TRIAL TRANSIT PROGRAM.**

(a) ALLOCATION OF FUNDS.—Of the amount made available for fiscal year 2001 under chapter 9 of the Foreign Assistance Act of 1961, as added by section 301, \$5,000,000 is authorized to be available to establish a static cargo x-ray facility in Malta, if the Secretary of State first certifies to the appropriate committees of Congress that the Government of Malta has provided adequate assurances that such a facility

will be utilized in connection with random cargo inspections by Maltese customs officials of container traffic transiting through the Malta Freeport.

(b) REQUIREMENT OF WRITTEN ASSESSMENT.—In the event that a facility is established in Malta pursuant to subsection (a), the Secretary of State shall submit a written assessment to the appropriate committees of Congress not later than 270 days after such a facility commences operation detailing—

(1) statistics on utilization of the facility by Malta;

(2) the contribution made by the facility to United States nonproliferation and export control objectives; and

(3) the feasibility of establishing comparable facilities in other countries identified by the Secretary of State pursuant to section 583 of the Foreign Assistance Act of 1961, as added by section 301.

(c) TREATMENT OF ASSISTANCE.—Assistance under this section shall be considered as assistance under section 583(a) of the Foreign Assistance Act of 1961 (relating to transit interdiction), as added by section 301.

**SEC. 305. EXCEPTION TO AUTHORITY TO CONDUCT INSPECTIONS UNDER THE CHEMICAL WEAPONS CONVENTION IMPLEMENTATION ACT OF 1998.**

Section 303 of the Chemical Weapons Convention Implementation Act of 1998 (22 U.S.C. 6723) is amended by adding at the end the following new subsection:

“(c) EXCEPTION.—The requirement under subsection (b)(2)(A) shall not apply to inspections of United States chemical weapons destruction facilities (as used within the meaning of part IV(C)(13) of the Verification Annex to the Convention).”

**TITLE IV—ANTITERRORISM ASSISTANCE**

**SEC. 401. AUTHORIZATION OF APPROPRIATIONS.**

Section 574(a) of the Foreign Assistance Act of 1961 (22 U.S.C. 2349aa-4(a)) is amended by striking “\$9,840,000” and all that follows through the period and inserting the following: “\$72,000,000 for fiscal year 2001 and \$73,000,000 for fiscal year 2002.”

**TITLE V—INTEGRATED SECURITY ASSISTANCE PLANNING**

**Subtitle A—Establishment of a National Security Assistance Strategy**

**SEC. 501. NATIONAL SECURITY ASSISTANCE STRATEGY.**

(a) MULTIYEAR PLAN.—Not later than 180 days after the date of enactment of this Act, and annually thereafter at the time of submission of the congressional presentation materials of the foreign operations appropriations budget request, the Secretary of State should submit to the appropriate committees of Congress a plan setting forth a National Security Assistance Strategy for the United States.

(b) ELEMENTS OF THE STRATEGY.—The National Security Assistance Strategy should—

(1) set forth a multi-year plan for security assistance programs;

(2) be consistent with the National Security Strategy of the United States;

(3) be coordinated with the Secretary of Defense and the Chairman of the Joint Chiefs of Staff;

(4) be prepared, in consultation with other agencies, as appropriate;

(5) identify overarching security assistance objectives, including identification of the role that specific security assistance programs will play in achieving such objectives;

(6) identify a primary security assistance objective, as well as specific secondary objectives, for individual countries;

(7) identify, on a country-by-country basis, how specific resources will be allocated to accomplish both primary and secondary objectives;

(8) discuss how specific types of assistance, such as foreign military financing and inter-

national military education and training, will be combined at the country level to achieve United States objectives; and

(9) detail, with respect to each of the paragraphs (1) through (8), how specific types of assistance provided pursuant to the Arms Export Control Act and the Foreign Assistance Act of 1961 are coordinated with United States assistance programs managed by the Department of Defense and other agencies.

(c) COVERED ASSISTANCE.—The National Security Assistance Strategy should cover assistance provided under—

(1) section 23 of the Arms Export Control Act (22 U.S.C. 2763);

(2) chapter 5 of part II of the Foreign Assistance Act of 1961 (22 U.S.C. 2347 et seq.); and

(3) section 516 of the Foreign Assistance Act of 1961 (22 U.S.C. 2321i).

**Subtitle B—Allocations for Certain Countries**

**SEC. 511. SECURITY ASSISTANCE FOR NEW NATO MEMBERS.**

(a) FOREIGN MILITARY FINANCING.—Of the amounts made available for the fiscal years 2001 and 2002 under section 23 of the Arms Export Control Act (22 U.S.C. 2763), \$30,300,000 for fiscal year 2001 and \$35,000,000 for fiscal year 2002 are authorized to be available on a grant basis for all of the following countries: the Czech Republic, Hungary, and Poland.

(b) MILITARY EDUCATION AND TRAINING.—Of the amounts made available for the fiscal years 2001 and 2002 to carry out chapter 5 of part II of the Foreign Assistance Act of 1961 (22 U.S.C. 2347 et seq.), \$5,100,000 for fiscal year 2001 and \$7,000,000 for fiscal year 2002 are authorized to be available for all of the following countries: the Czech Republic, Hungary, and Poland.

(c) SELECT PRIORITIES.—In providing assistance under this section, the President shall give priority to supporting activities that are consistent with the objectives set forth in the following conditions of the Senate resolution of ratification for the Protocols to the North Atlantic Treaty of 1949 on the Accession of Poland, Hungary, and the Czech Republic:

(1) Condition (1)(A)(v), (vi), and (vii), relating to common threats, the core mission of NATO, and the capacity to respond to common threats.

(2) Condition (1)(B), relating to the fundamental importance of collective defense.

(3) Condition (1)(C), relating to defense planning, command structures, and force goals.

(4) Conditions (4)(B)(i) and (4)(B)(ii), relating to intelligence matters.

**SEC. 512. INCREASED TRAINING ASSISTANCE FOR GREECE AND TURKEY.**

(a) IN GENERAL.—Of the amounts made available for the fiscal years 2001 and 2002 to carry out chapter 5 of part II of the Foreign Assistance Act of 1961 (22 U.S.C. 2347 et seq.)—

(1) \$1,000,000 for fiscal year 2001 and \$1,000,000 for fiscal year 2002 are authorized to be available for Greece; and

(2) \$2,500,000 for fiscal year 2001 and \$2,500,000 for fiscal year 2002 are authorized to be available for Turkey.

(b) USE FOR PROFESSIONAL MILITARY EDUCATION.—Of the amounts available under paragraphs (1) and (2) of subsection (a) for fiscal year 2002, \$500,000 of each such amount should be available for purposes of professional military education.

(c) USE FOR JOINT TRAINING.—It is the sense of Congress that, to the maximum extent practicable, amounts available under subsection (a) that are used in accordance with subsection (b) should be used for joint training of Greek and Turkish officers.

**SEC. 513. ASSISTANCE FOR ISRAEL.**

(a) DEFINITIONS.—In this section:

(1) ESF ASSISTANCE.—The term “ESF assistance” means assistance under chapter 4 of part II of the Foreign Assistance Act of 1961 (22 U.S.C. 2346 et seq.), relating to the economic support fund.

(2) FOREIGN MILITARY FINANCING PROGRAM.—The term “Foreign Military Financing Program” means the program authorized by section

23 of the Arms Export Control Act (22 U.S.C. 2763).

(b) **ESF ASSISTANCE.**—

(1) **IN GENERAL.**—Of the amounts made available for each of the fiscal years 2001 and 2002 for ESF assistance, the amount specified in paragraph (2) for each such fiscal year is authorized to be made available for Israel.

(2) **COMPUTATION OF AMOUNT.**—Subject to subsection (d), the amount referred to in paragraph (1) is equal to—

(A) the amount made available for ESF assistance for Israel for the preceding fiscal year, minus

(B) \$120,000,000.

(c) **FMF PROGRAM.**—

(1) **IN GENERAL.**—Of the amount made available for each of the fiscal years 2001 and 2002 for assistance under the Foreign Military Financing Program, the amount specified in paragraph (2) for each such fiscal year is authorized to be made available for Israel.

(2) **COMPUTATION OF AMOUNT.**—Subject to subsection (d), the amount referred to in paragraph (1) is equal to—

(A) the amount made available for assistance under the Foreign Military Financing Program for Israel for the preceding fiscal year, plus

(B) \$60,000,000.

(3) **DISBURSEMENT OF FUNDS.**—Funds authorized to be available for Israel under paragraph (1) for fiscal year 2001 shall be disbursed not later than 30 days after the date of enactment of an Act making appropriations for foreign operations, export financing, and related programs for fiscal year 2001, or October 31, 2000, whichever date is later.

(4) **AVAILABILITY OF FUNDS FOR ADVANCED WEAPONS SYSTEMS.**—To the extent the Government of Israel requests that funds be used for such purposes, grants made available for Israel out of funds authorized to be available under paragraph (1) for Israel for fiscal year 2001 shall, as agreed by Israel and the United States, be available for advanced weapons systems, of which not less than \$520,000,000 shall be available for the procurement in Israel of defense articles and defense services, including research and development.

(d) **EXCLUSION OF RESCISSIONS AND SUPPLEMENTAL APPROPRIATIONS.**—For purposes of this section, the computation of amounts made available for a fiscal year shall not take into account any amount rescinded by an Act or any amount appropriated by an Act making supplemental appropriations for a fiscal year.

**SEC. 514. ASSISTANCE FOR EGYPT.**

(a) **DEFINITIONS.**—In this section:

(1) **ESF ASSISTANCE.**—The term “ESF assistance” means assistance under chapter 4 of part II of the Foreign Assistance Act of 1961 (22 U.S.C. 2346 et seq.), relating to the economic support fund.

(2) **FOREIGN MILITARY FINANCING PROGRAM.**—The term “Foreign Military Financing Program” means the program authorized by section 23 of the Arms Export Control Act (22 U.S.C. 2763).

(b) **ESF ASSISTANCE.**—

(1) **IN GENERAL.**—Of the amounts made available for each of the fiscal years 2001 and 2002 for ESF assistance, the amount specified in paragraph (2) for each such fiscal year is authorized to be made available for Egypt.

(2) **COMPUTATION OF AMOUNT.**—Subject to subsection (d), the amount referred to in paragraph (1) is equal to—

(A) the amount made available for ESF assistance for Egypt during the preceding fiscal year, minus

(B) \$40,000,000.

(c) **FMF PROGRAM.**—Of the amount made available for each of the fiscal years 2001 and 2002 for assistance under the Foreign Military Financing Program, \$1,300,000,000 is authorized to be made available for Egypt.

(d) **EXCLUSION OF RESCISSIONS AND SUPPLEMENTAL APPROPRIATIONS.**—For purposes of this

section, the computation of amounts made available for a fiscal year shall not take into account any amount rescinded by an Act or any amount appropriated by an Act making supplemental appropriations for a fiscal year.

(e) **DISBURSEMENT OF FUNDS.**—Funds estimated to be outlaid for Egypt under subsection (c) during fiscal year 2001 shall be disbursed to an interest-bearing account for Egypt in the Federal Reserve Bank of New York within 30 days of the date of enactment of this Act, or by October 31, 2000, whichever is later, provided that—

(1) withdrawal of funds from such account shall be made only on authenticated instructions from the Defense Finance and Accounting Service of the Department of Defense;

(2) in the event such account is closed, the balance of the account shall be transferred promptly to the appropriations account for the Foreign Military Financing Program; and

(3) none of the interest accrued by such account should be obligated unless the Committee on Appropriations and the Committee on Foreign Relations of the Senate and the Committee on Appropriations and the Committee on International Relations of the House of Representatives are notified.

**SEC. 515. SECURITY ASSISTANCE FOR CERTAIN COUNTRIES.**

(a) **FOREIGN MILITARY FINANCING.**—Of the amounts made available for the fiscal years 2001 and 2002 under section 23 of the Arms Export Control Act (22 U.S.C. 2763)—

(1) \$18,200,000 for fiscal year 2001 and \$20,500,000 for fiscal year 2002 are authorized to be available on a grant basis for all of the following countries: Estonia, Latvia, and Lithuania;

(2) \$2,000,000 for fiscal year 2001 and \$5,000,000 for fiscal year 2002 are authorized to be available on a grant basis for the Philippines;

(3) \$4,500,000 for fiscal year 2001 and \$5,000,000 for fiscal year 2002 are authorized to be available on a grant basis for Georgia;

(4) \$3,000,000 for fiscal year 2001 and \$3,500,000 for fiscal year 2002 are authorized to be available on a grant basis for Malta;

(5) \$3,500,000 for fiscal year 2001 and \$4,000,000 for fiscal year 2002 are authorized to be available on a grant basis for Slovenia;

(6) \$8,400,000 for fiscal year 2001 and \$8,500,000 for fiscal year 2002 are authorized to be available on a grant basis for Slovakia;

(7) \$11,000,000 for fiscal year 2001 and \$11,100,000 for fiscal year 2002 are authorized to be available on a grant basis for Romania;

(8) \$8,500,000 for fiscal year 2001 and \$8,600,000 for fiscal year 2002 are authorized to be available on a grant basis for Bulgaria; and

(9) \$100,000,000 for fiscal year 2001 and \$105,000,000 for fiscal year 2002 are authorized to be available on a grant basis for Jordan.

(b) **IMET.**—Of the amounts made available for the fiscal years 2001 and 2002 to carry out chapter 5 of part II of the Foreign Assistance Act of 1961 (22 U.S.C. 2347 et seq.)—

(1) \$2,300,000 for fiscal year 2001 and \$4,000,000 for fiscal year 2002 are authorized to be available for all of the following countries: Estonia, Latvia, and Lithuania;

(2) \$1,400,000 for fiscal year 2001 and \$1,500,000 for fiscal year 2002 are authorized to be available for the Philippines;

(3) \$475,000 for fiscal year 2001 and \$1,000,000 for fiscal year 2002 are authorized to be available for Georgia;

(4) \$200,000 for fiscal year 2001 and \$1,000,000 for fiscal year 2002 are authorized to be available for Malta;

(5) \$700,000 for fiscal year 2001 and \$1,000,000 for fiscal year 2002 are authorized to be available for Slovenia;

(6) \$700,000 for fiscal year 2001 and \$1,000,000 for fiscal year 2002 are authorized to be available for Slovakia;

(7) \$1,300,000 for fiscal year 2001 and \$1,500,000 for fiscal year 2002 are authorized to be available for Romania; and

(8) \$1,100,000 for fiscal year 2001 and \$1,200,000 for fiscal year 2002 are authorized to be available for Bulgaria.

**SEC. 516. BORDER SECURITY AND TERRITORIAL INDEPENDENCE.**

(a) **GUUAM COUNTRIES AND ARMENIA.**—For the purpose of carrying out section 499C of the Foreign Assistance Act of 1961 and assisting GUUAM countries and Armenia to strengthen national control of their borders and to promote the independence and territorial sovereignty of such countries, the following amounts are authorized to be made available for fiscal years 2001 and 2002:

(1) \$5,000,000 for fiscal year 2001 and \$20,000,000 for fiscal year 2002 are of the amounts made available under section 23 of the Arms Export Control Act (22 U.S.C. 2763).

(2) \$2,000,000 for fiscal year 2001 and \$10,000,000 for fiscal year 2002 of the amounts made available under chapter 9 of part II of the Foreign Assistance Act of 1961, as added by section 301.

(3) \$500,000 for fiscal year 2001 and \$5,000,000 for fiscal year 2002 of the amounts made available to carry out chapter 5 of part II of the Foreign Assistance Act of 1961 (22 U.S.C. 2347 et seq.).

(4) \$1,000,000 for fiscal year 2001 and \$2,000,000 for fiscal year 2002 of the amounts made available to carry out chapter 8 of part II of the Foreign Assistance Act.

(b) **GUUAM COUNTRIES DEFINED.**—In this section, the term “GUUAM countries” means the group of countries that signed a protocol on quadrilateral cooperation on November 25, 1997, together with Uzbekistan.

**TITLE VI—TRANSFERS OF NAVAL VESSELS**

**SEC. 601. AUTHORITY TO TRANSFER NAVAL VESSELS TO CERTAIN FOREIGN COUNTRIES.**

(a) **BRAZIL.**—The President is authorized to transfer to the Government of Brazil two “THOMASTON” class dock landing ships ALAMO (LSD 33) and HERMITAGE (LSD 34), and four “GARCIA” class frigates BRADLEY (FF 1041), DAVIDSON (FF 1045), SAMPLE (FF 1048) and ALBERT DAVID (FF 1050). Such transfers shall be on a grant basis under section 516 of the Foreign Assistance Act of 1961 (22 U.S.C. 2321j).

(b) **CHILE.**—The President is authorized to transfer to the Government of the Chile two “OLIVER HAZARD PERRY” class guided missile frigates WADSWORTH (FFG 9), and ESTOCIN (FFG 15). Such transfers shall be on a combined lease-sale basis under sections 61 and 21 of the Arms Export Control Act (22 U.S.C. 2796, 2761).

(c) **GREECE.**—The President is authorized to transfer to the Government of Greece two “KNOX” class frigates VREELAND (FF 1068), and TRIPPE (FF 1075). Such transfers shall be on a grant basis under section 516 of the Foreign Assistance Act of 1961 (22 U.S.C. 2321j).

(d) **TURKEY.**—The President is authorized to transfer to the Government of Turkey two “OLIVER HAZARD PERRY” class guided missile frigates JOHN A. MOORE (FFG 19), and FLATLEY (FFG 21). Such transfers shall be on a combined lease-sale basis under sections 61 and 21 of the Arms Export Control Act (22 U.S.C. 2796, 2761). The authority granted by this subsection is in addition to that granted under section 1018(a)(9) of Public Law 106-65.

**SEC. 602. INAPPLICABILITY OF AGGREGATE ANNUAL LIMITATION ON VALUE OF TRANSFERRED EXCESS DEFENSE ARTICLES.**

The value of naval vessels authorized under section 601 to be transferred on a grant basis under section 516 of the Foreign Assistance Act of 1961 (22 U.S.C. 2321j) shall not be included in the aggregate annual value of transferred excess defense articles which is subject to the aggregate annual limitation set forth in section 516(g) of the Foreign Assistance Act of 1961 (22 U.S.C. 2321j(g)).

**SEC. 603. COSTS OF TRANSFERS.**

Any expense of the United States in connection with a transfer authorized by this title shall be charged to the recipient.

**SEC. 604. CONDITIONS RELATING TO COMBINED LEASE-SALE TRANSFERS.**

A transfer of a vessel on a combined lease-sale basis authorized by section 601 shall be made in accordance with the following requirements:

(1) The President may initially transfer the vessel by lease, with lease payments suspended for the term of the lease, if the country entering into the lease for the vessel simultaneously enters into a foreign military sales agreement for the transfer of title to the vessel.

(2) The President may not deliver to the purchasing country title to the vessel until the purchase price of the vessel under such a foreign military sales agreement is paid in full.

(3) Upon payment of the purchase price in full under such a sales agreement and delivery of title to the recipient country, the President shall terminate the lease.

(4) If the purchasing country fails to make full payment of the purchase price in accordance with the sales agreement by the date required under the sales agreement—

(A) the sales agreement shall be immediately terminated;

(B) the suspension of lease payments under the lease shall be vacated; and

(C) the United States shall be entitled to retain all funds received on or before the date of the termination under the sales agreement, up to the amount of the lease payments due and payable under the lease and all other costs required by the lease to be paid to that date.

(5) If a sales agreement is terminated pursuant to paragraph (4), the United States shall not be required to pay any interest to the recipient country on any amount paid to the United States by the recipient country under the sales agreement and not retained by the United States under the lease.

**SEC. 605. FUNDING OF CERTAIN COSTS OF TRANSFERS.**

There are authorized to be appropriated to the Defense Vessels Transfer Program Account such funds as may be necessary to cover the costs (as defined in section 502 of the Congressional Budget Act of 1974 (2 U.S.C. 661a)) of the lease-sale transfers authorized by section 601. Funds authorized to be appropriated under the preceding sentence for the purpose described in that sentence may not be available for any other purpose.

**SEC. 606. REPAIR AND REFURBISHMENT IN UNITED STATES SHIPYARDS.**

To the maximum extent practicable, the President shall require, as a condition of the transfer of a vessel under section 601, that the country to which the vessel is transferred will have such repair or refurbishment of the vessel as is needed, before the vessel joins the naval forces of that country, performed at a shipyard located in the United States, including a United States Navy shipyard.

**SEC. 607. SENSE OF CONGRESS REGARDING TRANSFER OF NAVAL VESSELS ON A GRANT BASIS.**

It is the sense of Congress that naval vessels authorized under section 601 to be transferred to foreign countries on a grant basis under section 516 of the Foreign Assistance Act of 1961 (22 U.S.C. 2321j) should be so transferred only if the United States receives appropriate benefits from such countries for transferring the vessel on a grant basis.

**SEC. 608. EXPIRATION OF AUTHORITY.**

The authority granted by section 601 shall expire two years after the date of enactment of this Act.

**TITLE VII—MISCELLANEOUS PROVISIONS****SEC. 701. UTILIZATION OF DEFENSE ARTICLES AND DEFENSE SERVICES.**

Section 502 of the Foreign Assistance Act of 1961 (22 U.S.C. 2302) is amended in the first sen-

tence by inserting “(including for antiterrorism and nonproliferation purposes)” after “internal security”.

**SEC. 702. ANNUAL MILITARY ASSISTANCE REPORT.**

Section 655(b)(3) of the Foreign Assistance Act of 1961 (22 U.S.C. 2415(b)(3)) is amended by inserting before the period at the end the following: “and, if so, a specification of those defense articles that were exported during the fiscal year covered by the report”.

**SEC. 703. REPORT ON GOVERNMENT-TO-GOVERNMENT ARMS SALES END-USE MONITORING PROGRAM.**

Not later than 180 days after the date of the enactment of this Act, the President shall prepare and transmit to the appropriate committees of Congress a report that contains a summary of the status of the efforts of the Defense Security Cooperation Agency to implement the End-Use Monitoring Enhancement Plan relating to government-to-government transfers of defense articles, defense services, and related technologies.

**SEC. 704. MTCR REPORT TRANSMITTALS.**

For purposes of section 71(d) of the Arms Export Control Act (22 U.S.C. 2797(d)), the requirement that reports under that section shall be transmitted to the Congress shall be considered to be a requirement that such reports shall be transmitted to the Committee on International Relations of the House of Representatives and the Committee on Foreign Relations and the Committee on Banking, Housing and Urban Affairs of the Senate.

**SEC. 705. STINGER MISSILES IN THE PERSIAN GULF REGION.**

(a) **PROHIBITION.**—Notwithstanding any other provision of law and except as provided in subsection (b), the United States may not sell or otherwise make available under the Arms Export Control Act or chapter 2 of part II of the Foreign Assistance Act of 1961 any Stinger ground-to-air missiles to any country bordering the Persian Gulf.

(b) **ADDITIONAL TRANSFERS AUTHORIZED.**—In addition to other defense articles authorized to be transferred by section 581 of the Foreign Operations, Export Financing, and Related Programs Appropriation Act, 1990, the United States may sell or make available, under the Arms Export Control Act or chapter 2 of part II of the Foreign Assistance Act of 1961, Stinger ground-to-air missiles to any country bordering the Persian Gulf in order to replace, on a one-for-one basis, Stinger missiles previously furnished to such country if the Stinger missiles to be replaced are nearing the scheduled expiration of their shelf-life.

**SEC. 706. SENSE OF CONGRESS REGARDING EXCESS DEFENSE ARTICLES.**

It is the sense of Congress that the President should make expanded use of the authority provided under section 21(a) of the Arms Export Control Act to sell excess defense articles by utilizing the flexibility afforded by section 47 of such Act to ascertain the “market value” of excess defense articles.

**SEC. 707. EXCESS DEFENSE ARTICLES FOR MONGOLIA.**

(a) **USES FOR WHICH FUNDS ARE AVAILABLE.**—Notwithstanding section 516(e) of the Foreign Assistance Act of 1961 (22 U.S.C. 2321j(e)), during the fiscal years 2001 and 2002, funds available to the Department of Defense may be expended for crating, packing, handling, and transportation of excess defense articles transferred under the authority of section 516 of that Act to Mongolia.

(b) **CONTENT OF CONGRESSIONAL NOTIFICATION.**—Each notification required to be submitted under section 516(f) of the Foreign Assistance Act of 1961 (22 U.S.C. 2321j(f)) with respect to a proposed transfer of a defense article described in subsection (a) shall include an estimate of the amount of funds to be expended under subsection (a) with respect to that transfer.

**SEC. 708. SPACE COOPERATION WITH RUSSIAN PERSONS.**

(a) **ANNUAL CERTIFICATION.**—

(1) **REQUIREMENT.**—The President shall submit each year to the appropriate committees of Congress, with respect to each Russian person described in paragraph (2), a certification that the reports required to be submitted to Congress during the preceding calendar year under section 2 of the Iran Nonproliferation Act of 2000 (Public Law 106-178) do not identify that person on account of a transfer to Iran of goods, services, or technology described in section 2(a)(1)(B) of such Act.

(2) **APPLICABILITY.**—The certification requirement under paragraph (1) applies with respect to each Russian person that, as of the date of the certification, is a party to an agreement relating to commercial cooperation on MTCR equipment or technology with a United States person pursuant to an arms export license that was issued at any time since January 1, 2000.

(3) **EXEMPTION.**—No activity or transfer which specifically has been the subject of a Presidential determination pursuant to section 5(a)(1), (2), or (3) of the Iran Nonproliferation Act of 2000 (Public Law 106-178) shall cause a Russian person to be considered as having been identified in the reports submitted during the preceding calendar year under section 2 of that act for the purposes of the certification required under paragraph (1).

(4) **COMMENCEMENT AND TERMINATION OF REQUIREMENT.**—

(A) **TIMES FOR SUBMISSION.**—The President shall submit—

(i) the first certification under paragraph (1) not later than 60 days after the date of the enactment of this Act; and

(ii) each annual certification thereafter on the anniversary of the first submission.

(B) **TERMINATION OF REQUIREMENT.**—No certification is required under paragraph (1) after termination of cooperation under the specific license, or five years after the date on which the first certification is submitted, whichever is the earlier date.

(b) **TERMINATION OF EXISTING LICENSES.**—If, at any time after the issuance of a license under section 36(c) of the Arms Export Control Act relating to the use, development, or co-production of commercial rocket engine technology with a foreign person, the President determines that the foreign person has engaged in any action described in section 73(a)(1) of the Arms Export Control Act (22 U.S.C. 2797b(a)(1)) since the date the license was issued, the President may terminate the license.

(c) **REPORT ON EXPORT LICENSING OF MTCR ITEMS UNDER \$50,000,000.**—Section 71(d) of the Arms Export Control Act (22 U.S.C. 2797(d)) is amended by striking “Within 15 days” and all that follows through “MTCR Annex,” and inserting “Within 15 days after the issuance of a license (including any brokering license) for the export of items valued at less than \$50,000,000 that are controlled under this Act pursuant to United States obligations under the Missile Technology Control Regime and are goods or services that are intended to support the design, utilization, development, or production of a space launch vehicle system listed in Category I of the MTCR Annex.”

(d) **DEFINITIONS.**—In this section:

(1) **FOREIGN PERSON.**—The term “foreign person” has the meaning given the term in section 74(7) of the Arms Export Control Act (22 U.S.C. 2797c(7)).

(2) **MTCR EQUIPMENT OR TECHNOLOGY.**—The term “MTCR equipment or technology” has the meaning given the term in section 74(5) of the Arms Export Control Act (22 U.S.C. 2797c(5)).

(3) **PERSON.**—The term “person” has the meaning given the term in section 74(8) of the Arms Export Control Act (22 U.S.C. 2797c(8)).

(4) **UNITED STATES PERSON.**—The term “United States person” has the meaning given the term in section 74(6) of the Arms Export Control Act (22 U.S.C. 2797c(6)).

**SEC. 709. SENSE OF CONGRESS RELATING TO MILITARY EQUIPMENT FOR THE PHILIPPINES.**

(a) *IN GENERAL.*—It is the sense of Congress that the United States Government should work with the Government of the Philippines to enable that Government to procure military equipment that can be used to upgrade the capabilities and to improve the quality of life of the armed forces of the Philippines.

(b) *MILITARY EQUIPMENT.*—Military equipment described in subsection (a) should include—

(1) naval vessels, including amphibious landing crafts, for patrol, search-and-rescue, and transport;

(2) F-5 aircraft and other aircraft that can assist with reconnaissance, search-and-rescue, and resupply;

(3) attack, transport, and search-and-rescue helicopters; and

(4) vehicles and other personnel equipment.

**SEC. 710. WAIVER OF CERTAIN COSTS.**

Notwithstanding any other provision of law, the President may waive the requirement to impose an appropriate charge for a proportionate amount of any nonrecurring costs of research, development, and production under section 21(e)(1)(B) of the Arms Export Control Act (22 U.S.C. 2761(e)(1)(B)) for the November 1999 sale of 5 UH-60L helicopters to the Republic of Colombia in support of counternarcotics activities. And the Senate agree to the same.

BENJAMIN A. GILMAN,  
BILL GOODLING,  
SAM GEJDENSON,

*Managers on the Part of the House.*

JESSE HELMS,  
RICHARD G. LUGAR,  
CHUCK HAGEL,  
JOE BIDEN,  
PAUL S. SARBANES,

*Managers on the Part of the Senate.*

**JOINT EXPLANATORY STATEMENT OF THE COMMITTEE OF CONFERENCE**

The managers on the part of the House and the Senate at the conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 4919) to amend the Foreign Assistance Act of 1961 and the Arms Export Control Act to make improvements to certain defense and security assistance provisions under those Acts, to authorize the transfer of naval vessels to certain foreign countries, and for other purposes, submit the following joint statement to the House and the Senate in explanation of the effect of the action agreed upon by the managers and recommended in the accompanying conference report:

**SECURITY ASSISTANCE ACT OF 2000**

The conferees note that, during the past 10 years, the pool of money available for security assistance to United States allies and partners has decreased dramatically. At the same time, the number of countries with which the United States needs to engage, whether to combat proliferation or terrorism or to bolster regional security, has steadily increased. For instance, three countries of the former Warsaw Pact are now NATO members and receive both Foreign Military Financing and International Military Education and Training from the United States. Other countries which were once part of the Soviet Union itself are now free and independent, and enjoy important security relationships with the United States. An even larger number of countries, now free from the Soviet orbit, are also free to pursue closer military relationships with the United States. Thus, for instance, this bill makes Mongolia eligible for Department of Defense expenditures relating to excess defense articles for the first time in history.

The conferees are concerned that a steadily increasing number of countries are pur-

suating a relationship with the United States which is funded by a steadily decreasing amount of money. Additionally, 98 percent of the Foreign Military Financing (FMF) account is currently committed to just three countries as a result of various peace accord commitments. Even if the President's budget request is fully funded, only \$18,200,000 in FMF would actually be available for the United States to build security ties to the rest of the world. This legislation seeks to arrest and reverse this decline. Section 101 authorizes an increase in FY 2001 of \$12,000,000 in grant Foreign Military Financing over the President's budget request, and in FY 2002, with an increase of \$89,000,000, will bring the total amount of truly "discretionary" FMF spending to \$272,200,000. Even so, this will not return security assistance to 1990 spending levels.

Similarly, Section 201 fully funds the President's request for the International Military Education and Training program by authorizing \$55,000,000 in FY 2001 and provides a \$10,000,000 increase for FY 2002.

Section 301, which establishes a new chapter in the Foreign Assistance Act, consolidates all nonproliferation funding, except for assistance to the International Atomic Energy Agency, under a single funding line. In so doing, it will protect nonproliferation assistance from numerous foreign aid restrictions that govern the current appropriations process.

This legislation fully funds the President's request and authorizes funding for one additional, Congressionally-mandated nonproliferation and export control initiative in Malta. It also funds the International Science and Technology Centers (ISTC) program at maximum capacity. Moreover, this legislation will strengthen the hand of the newly-created Nonproliferation Bureau of the Department of State in shaping a coherent U.S. nonproliferation and export control policy. Likewise, the President's antiterrorism funding request is fully authorized, and the conferees have applied additional resources to ensure that the fledgling Terrorist Interdiction Program is funded in fiscal year 2001 at the same level as in fiscal year 2000.

In total, this bill authorizes \$38,806,000,000 in security assistance funding for fiscal year 2001. This is an increase of \$30,800,000 over the President's budget request for fiscal year 2001. It further authorizes \$3,907,000,000 for fiscal year 2002.

**TITLE I—MILITARY AND RELATED ASSISTANCE**

**Subtitle A—Foreign Military Sales and Financing Authority**

**AUTHORIZATION OF APPROPRIATIONS**

Section 101 of the conference agreement, which has been modified from the Senate proposal, authorizes \$3,550,000,000 for fiscal year 2001, and \$3,627,000,000 for fiscal year 2002, for the Foreign Military Financing (FMF) Program. The administration request for fiscal year 2001 for FMF (grants and loans) is \$3,538,200,000. The actual level of FMF funding for fiscal year 2000 is \$3,420,000,000.

**REQUIREMENTS RELATING TO COUNTRY EXEMPTIONS FOR LICENSING OF DEFENSE ITEMS FOR EXPORT TO FOREIGN COUNTRIES**

Section 102 of the conference agreement, which has been modified from the House proposal, codifies in statute requirements relating to country exemptions for licensing of defense items for export to foreign countries.

On May 24, 2000, the Administration unveiled a major initiative—the Defense Trade Security Initiative—to improve transatlantic cooperation in the area of defense trade. The initiative was a package of seventeen separate proposals geared toward pro-

moting U.S. defense exports of NATO countries, Japan and Australia. The Committees on Foreign Relations and International Relations, which were not consulted in a timely fashion on the Defense Trade Security Initiative, nevertheless welcome most of the proposed changes to the International Traffic in Arms Regulations (ITAR).

The overall objective of DTSI is to improve transatlantic cooperation in defense trade, particularly as that may aid us in strengthening NATO, supporting the Defense Capabilities Initiative (DCI), improving the interoperability of our forces and contributing to the health and productivity of defense industries on both sides of the Atlantic.

Most of the seventeen separate proposals deal with reforming the U.S. defense export control licensing process. They are noncontroversial. They include proposals to establish new procedures for U.S. industry to secure export license for arms sales to NATO countries and other friendly countries and the establishment of a robust common database. Indeed, several of the initiatives mirror recommendations made by the two committees at various times.

Under Article 1, Section 8, of the United States Constitution, the Congress possesses sole constitutional authority to "regulate Commerce with foreign Nations." The President may only engage in such an exercise to the extent he has been authorized to do so by the Congress. Most of the seventeen DTSI measures, which clearly relate to the regulation of commerce, have been implicitly authorized in advance by Congress. The Arms Export Control Act (AECA) requires the President to administer export controls for certain commodities and also contains a measure of flexibility, allowing the President to alter export control requirements through regulatory changes. Indeed, numerous regulatory modifications have been made using this authority. Thus the constitutionality of a regulatory change to implement many of the proposed initiatives is well established.

The conferees remain concerned, however, with certain other of the proposals. The most important—and controversial—initiative is entitled 'Extension of International Traffic in Arms Regulations (ITAR) Exemption to Qualified Countries'. Pursuant to this initiative, the Administration is prepared to establish new ITAR licensing exemptions for unclassified defense items to qualified companies in foreign countries with whom the United States signs a bilateral agreement and that adopt and demonstrate export controls that are comparable in effectiveness to those of the United States.

For several years, the United States has, under Section 38(b)(2) of the AECA, permitted unlicensed trade in defense articles and defense services with Canada. This practice, popularly called the "Canada exemption," has been supported by Congress in light of the unique defense trade relationship between the United States and Canada. In a June 28, 2000, letter to Chairman Helms, the Secretary of Defense stated his intent "to negotiate a Canada-style exemption to the ITAR with the U[nited] K[ingdom] and Australia." On March 16, 2000, in a letter to the Secretary of State, the Chairman of the Senate Committee on Foreign Relations and the House Committee on International Relations—the two Congressional Committees with sole jurisdiction over the AECA and regulation of defense trade—expressed concern about expanding the Canadian exemption. The Canada exemption is a unique one, based on an intertwined defense industrial base, a close law enforcement relationship, and geographical considerations. These same considerations do not apply to either the United Kingdom or Australia (to say nothing



of other countries), despite the close military, intelligence, and law enforcement relationships that the U.S. government has with the governments in London and Canberra. For instance, defense commodities being shipped between the United States and Canada are far less susceptible to diversion than items shipped longer distances on cargo vessels which must make multiple port calls before arriving in the final port of destination. Moreover, unlike the case in Canada, many major U.K. defense companies are now jointly partnered with other European firms.

For these reasons and others, the Secretary of State and the Attorney General raised serious questions about how a Canada-like exemption would affect U.S. export controls and law enforcement efforts. Their concerns turned, in short, on the fact that elimination of a licensing requirement for various weapons and defense commodities would remove an important law enforcement capability for the United States, placing heightened reliance upon the United Kingdom and Australia to stop diversions of U.S. equipment and to provide the type of evidence needed to prosecute violations of the AECA.

In his June 28, 2000 letter, the Secretary of Defense assured the Committee on Foreign Relations that the licensing exemption for certain countries would need to be accomplished through "legally binding agreements to ensure their export control and technology security regimes are congruent to our own. In exchange for these ironclad arrangements, we are prepared to offer an exemption to the ITAR similar to that long-provided to Canada."

The conferees are pleased to note this emphasis on extending a broad ITAR exemption in a legally-binding agreement and, accordingly, are equally pleased to codify the requirement in statute. As the Department of State noted in connection with the START Treaty: "An undertaking or commitment that is understood to be legally binding carries with it both the obligation to comply with the undertaking and the right of each Party to enforce the obligation under international law." This right of enforcement is of singular importance in this case, because noncompliance with the undertaking presumably could result in the diversion of United States weaponry or technology.

Essential to the initiative to provide license-free trade to various countries is the operation of domestic export control laws in such countries. Accordingly, the underlying rationale governing Section 102 is that the United States should not provide the benefit of an exemption from licensing of U.S. defense exports unless a foreign country agrees to apply, in a legally-binding fashion and in accordance with a bilateral agreement with the United States, the full range of United States export control and laws, regulations, and policies appropriate to the sensitivity of defense items exported to a foreign country under the exemption.

In that regard, the section requires that in order to provide an exemption from licensing of defense exports to a foreign country, the United States must negotiate a legally binding bilateral agreement including specific requirements. The President must then certify that the bilateral agreement meets those specific requirements and, importantly, that the foreign country has promulgated or enacted all necessary modifications to its laws and regulations to comply with its obligations under the bilateral agreement before implementing the exemption.

The specific requirements include but are not limited to securing end-use and retransfer commitments from all end-users, controls on reexports to foreign countries including a requirement for prior written U.S. government approval for such reexports, and

the establishment of a list of controlled defense items that will include those items covered by the exemption, which are required to be notified to the Congress under subsection (b) of this section.

The conferees expect to exercise close oversight of any agreements reached with foreign nations that provide for unlicensed trade in defense articles and defense services. The conferees reserve judgment on whether any agreements contemplated with the United Kingdom or Australia in this area should be undertaken in executive agreements, or as treaties, subject to advice and consent of the Senate. The conferees expect, as stated in subsection (d), that the Secretary of State will consult with the two Committees as to whether the DTISI licensing exemption for various countries should be codified as a treaty. Were the Secretary of State to conclude bilateral treaties with the United Kingdom and Australia to achieve the objectives set forth under the DTISI initiative, the Senate conferees would support the earliest possible consideration of such important measures. Alternatively, the Congress has the option of amending Section 38(b)(2) of the AECA to limit the President's flexibility to approve unlicensed trade—with Canada or any other nation.

Finally, the conferees address in subsection (c) the issue of exports of commercial communication satellites. Without prejudice to the outcome of a review, the conferees believe that both Congress and the Executive Branch should re-evaluate the issue of the correct and appropriate commodity jurisdiction for export control of U.S. commercial communication satellites.

#### Subtitle B—Stockpiling of Defense Articles for Foreign Countries

##### ADDITIONS TO UNITED STATES WAR RESERVE STOCKPILES FOR ALLIES

Section 111 was proposed by the House. Pursuant to Section 514 of the Foreign Assistance Act of 1961, as amended, the Department of Defense can make additions to the War Reserve Stockpiles for Allies stockpiles only as periodically provided for in legislation. For fiscal year 2000, the President requested authority to make additions to stockpiles in South Korea (\$40,000,000) and Thailand (\$20,000,000). The conferees provided this authority under Section 1231 of the "Admiral James W. Nance and Meg Donovan Foreign Relations Authorization Act, Fiscal Years 2000 and 2001" (P.L. 106-113). For fiscal year 2001 the Department of Defense has asked for an additional \$50,000,000 authorization for the Korean program. Section 111 provides this authority for fiscal year 2001.

##### TRANSFER OF CERTAIN OBSOLETE OR SURPLUS DEFENSE ARTICLES IN THE WAR RESERVE STOCKPILES FOR ALLIES TO ISRAEL

Section 112 has been modified from the House proposal. Periodically the Department of Defense requests authorization to transfer defense articles out of War Reserve Stockpiles to the host country in question. The defense articles are to be sold to the host nation, or to be transferred in exchange for other non-monetary concessions. The Committee provided similar authority to make such transfers to South Korea and Thailand pursuant to Section 1232 of the "Admiral James W. Nance and Meg Donovan Foreign Relations Authorization Act, Fiscal Years 2000 and 2001" (P.L. 106-113).

#### Subtitle C—Other Assistance

##### DEFENSE DRAWDOWN SPECIAL AUTHORITIES

Section 121, which has been modified from the Senate proposal, increases the special drawdown authorities of defense articles and services from defense stocks, and for military education and training, to assist foreign countries from \$150 million to \$200 million.

Current law grants the President the authority to draw down from existing stocks within the Department of Defense to assist in emergencies or when he determines it is in the national interest. This section expands the authority by making nonproliferation and antiterrorism activities eligible for the special drawdown authorities relating to defense articles and services, and to military education and training, to assist foreign countries. The increase in financial authority is meant to allow for incorporation of nonproliferation and antiterrorism objectives without sacrificing the President's flexibility to respond to unforeseen emergencies and foreign policy objectives relating to combating international narcotics, international disaster assistance, and migration and refugee assistance.

##### INCREASED AUTHORITY FOR THE TRANSPORT OF EXCESS DEFENSE ARTICLES

Section 122, proposed by the Senate, raises the space available weight limitation that is imposed on the transportation of excess defense articles (EDA) from 25,000 pounds to 50,000 pounds. Currently, a variety of limitations are imposed on the use of Department of Defense funds to transfer excess defense articles to foreign nations and international organizations. Moreover, even when such an expenditure is authorized, free transportation of EDA may only be provided on a space available basis if it is in the U.S. national interest to do so, the recipient nation is a developing nation which receives less than \$10,000,000 in FMF and IMET, and the weight of the items to be transferred does not exceed 25,000 pounds.

In limiting the weight of defense articles to no more than 25,000 pounds, current law will preclude the transportation of a large number of United States Coast Guard "self-righting" patrol craft which have recently been declared excess but which weigh approximately 33,000 pounds. Over the next four years, more than 50 of these vessels will be eligible for transfer to foreign nations under the EDA program. However, the current weight limitation will preclude shipment of the vessels on a space available basis to foreign countries. This, in turn, will increase the cost of transfer of the defense article to would-be recipients, and likely would cause many nations to decline U.S. offers of these vessels. As a result, the United States Coast Guard could incur unnecessary expenses due to delays in finding foreign recipients of the craft, and possibly be forced to demilitarize vessels for whom a foreign customer could not be secured. Raising the weight limit to 50,000 pounds will obviate this problem.

##### TITLE II—INTERNATIONAL MILITARY EDUCATION AND TRAINING

##### AUTHORIZATION OF APPROPRIATIONS

Section 201, which has been modified from the Senate proposal, authorizes \$55,000,000 for fiscal year 2001 and \$65,000,000 for fiscal year 2002 to carry out international military education and training (IMET) of military and related civilian personnel of foreign countries. The administration request for fiscal year 2001 for IMET is \$55,000,000. The actual level of IMET funding for fiscal year 2000 is \$50,000,000. IMET is provided on a grant basis to students from allied and friendly nations, and is designed to expose foreign students to the U.S. professional military establishment and the American way of life, including the U.S. regard for democratic values, respect for individual and human rights and belief in the rule of law. Section 201 authorizes funding of the IMET program in 2002 at its maximum capacity. Funding beyond this level cannot be absorbed due to limitations in number of courses and classes.

# ADDITIONAL REQUIREMENTS RELATING TO INTERNATIONAL MILITARY EDUCATION AND TRAINING

Section 202, proposed by the Senate, amends Chapter 5 of part II of the Foreign Assistance Act of 1961, relating to International Military Education and Training (IMET), by adding two new requirements. First, selection of foreign personnel for the IMET program will be done in consultation with United States defense attaches, who are uniquely positioned to recommend candidates. The conferees are concerned to note that defense attaches are, on occasion, excluded from this process. By mandating consultation, the conferees intend to secure the complete involvement of defense attaches in nominating individuals for the IMET program. Naturally, selection of foreign personnel, and overall management of the IMET program remain the responsibility of the Department of State.

Section 202 also requires that the Secretary of Defense develop and maintain a database containing records on each foreign military or defense ministry civilian participant in education and training activities conducted under this chapter after December 31, 2000. This record shall include the type of instruction received, the dates of such instruction, whether it was completed successfully, and, to the extent practicable, a record of the person's subsequent military or defense ministry career and current position and location. The conferees expect that the record of a person's subsequent career will include positions held, reports of exceptional successes or failures in those positions, and any credible reports of involvement in criminal activity or human rights abuses. The conferees believe that such a database will improve the effectiveness of foreign military education and training activities by enabling the Department of Defense to better determine: what follow up training may be most appropriate for previously trained personnel; which courses are most effective in improving the performance of foreign military personnel; and where personnel are located in foreign defense establishments who, by virtue of their prior training, are most likely to understand U.S. modes of operation and share U.S. standards of military professionalism. This section does not require, however, that the Department of Defense institute dramatic new collection programs to gather information for the database.

## TITLE III—NONPROLIFERATION AND EXPORT CONTROL ASSISTANCE

### NONPROLIFERATION AND EXPORT CONTROL ASSISTANCE

Section 301 has been modified from the Senate proposal. Every major category of U.S. foreign assistance, except for nonproliferation and export control assistance, is governed under multiple sections, or entire chapters, of the Foreign Assistance Act of 1961 (FAA). The FAA contains chapters authorizing international narcotics control, military assistance, peacekeeping operations, antiterrorism assistance, IMET, development assistance, and funding for international organizations, to name a few. Although the President has declared a state of national emergency to combat the proliferation of weapons of mass destruction and associated delivery systems, the FAA does not contain a specific chapter to authorize and direct such a clearly important form of U.S. foreign aid. Funding for the nonproliferation and export control activities of the Department of State derives from a variety of disparate authorizations passed at various times. As a result, this category of funding does not enjoy the same status as other types of foreign assistance.

Appropriation of funds for nonproliferation and export control activities is cobbled to-

gether annually by the Appropriations Committee under a catch-all account that also includes demining and contributions to certain international organizations. Thus the Department of State is invariably forced to make "trade-offs" between nonproliferation and export control funding and funding for other activities. Finally, other nonproliferation and export control funding is contained within the amounts appropriated for the "newly independent" states of the former Soviet Union, and is thus subject to restrictions if the President cannot certify that Russia is not proliferating technology to Iran (which he has, to date, been unable to do).

By adding a new chapter to Part II of the FAA, the conferees intend U.S. nonproliferation and export control assistance to be given equal stature with other authorized activities. The conferees expect the Department of State, in the future, to consolidate all of its nonproliferation funding, except for funding for the International Atomic Energy Agency (which is governed by a separate authorization under the FAA), into a single, integrated request to be authorized under Chapter 9 of the FAA. The conferees further expect that the Nonproliferation Bureau of the Department of State will be given authority over the use of funds authorized by this chapter.

The new chapter to the FAA incorporates existing authorities under Sections 503 and 504 of the FREEDOM Support Act (which are the principal extant authorities for nonproliferation and export control activities). The new sections 581 and 582 carry forward those authorities, but also emphasize the need for programs to bolster the indigenous capabilities of foreign countries to monitor and interdict proliferation shipments. Section 583 directs the President to ensure that sufficient funds are allocated to the transit interdiction effort. To this end, the section contains authority for the Secretary of State to establish a list of countries that should be given priority in U.S. transit interdiction funding. The conferees suggest that the initial designation of the transit country list include those countries mentioned in the fiscal year 1999 Congressional presentation document as "key global transit points" (e.g., the countries of Central Asia and the Caucasus, the Baltics, Central and Eastern Europe, Singapore, Hong Kong, Taiwan, Cyprus, Malta, Jordan, and the UAE).

Section 584, which will be part of the new chapter of the FAA, makes clear that two of the same limitations which apply to antiterrorism assistance also apply to nonproliferation and export control assistance. Section 584 permits the use of unrelated accounts to furnish services and commodities consistent with, and in furtherance of, Chapter 9 of the FAA. However, it requires that the foreign nation receiving such services or commodities pay in advance for the item or service, and that the reimbursement be credited to the account from which the service or commodity is furnished or subsidized. Foreign Military Financing may not be used to make such payments. Section 584 also makes clear that Chapter 9 does not apply to information exchange activities conducted under other authorities of law.

Section 585 authorizes \$129,000,000 for fiscal year 2001, and \$142,000,000 for fiscal year 2002, for activities conducted pursuant to Chapter 9 of the FAA. This amount captures several activities currently appropriated within the Nonproliferation,

Anti-Terrorism, Demining, and Related Programs Account, and the FREEDOM Support Act Assistance for the New Independent States (NIS) of the Former Soviet Union. The covered programs, at the administration's requested levels of funding for FY2001, are: \$15,000,000 for the

Nonproliferation and Disarmament Fund; \$14,000,000 for Export Control Assistance; \$45,000,000 for the Science Centers; and \$36,000,000 in NIS export control and border assistance funding. The administration request for fiscal year 2001 thus totals \$110,000,000 for all Chapter 9 authorized activities. The increase of \$19,000,000 above the administration's requested levels is intended to support two initiatives contained in sections 303 and 304. Specifically, this increase supports funding of the International Science and Technology Centers at maximum capacity (which requires an additional \$14,000,000) and establishment of a static cargo x-ray facility in Malta as the first of the transit interdiction programs to be managed under the new authorities of the FAA (a \$5,000,000 program).

### NONPROLIFERATION AND EXPORT CONTROL TRAINING IN THE UNITED STATES

Section 302, which has been modified from the Senate proposal, authorizes the expenditure of \$2,000,000 during both fiscal years 2001 and 2002 in nonproliferation and export control funding for the training and education of personnel from friendly countries in the United States. The Department of State already engages in a vigorous training program, and funds numerous activities which are implemented by Department of Commerce personnel. However, much of this training is conducted overseas. The conferees urge the Department of State to place emphasis on bringing a select group of officials from friendly governments back to the United States to engage in an intensive training program which draws upon the expertise of all relevant U.S. government agencies. This training should focus on those nonproliferation and export control activities which would most benefit from being conducted in the United States. Finally, the conferees are concerned with declining travel and training budgets of U.S. government agencies tasked with combating proliferation. The conferees hope this trend will be arrested, but urge the Department of State, in the interim, to seek to offset the effects of this decline using the funds authorized under this section.

### SCIENCE AND TECHNOLOGY CENTERS

Section 303, which has been modified from the Senate proposal, authorizes \$59,000,000 for fiscal year 2001, and \$65,000,000 in fiscal year 2002, in nonproliferation and export control funding for the Department of State's international science and technology centers. The administration request for fiscal year 2001 is \$45,000,000. The actual level of funding for fiscal year 2000 is \$59,000,000. The conferees expect that this not only will fully fund all ongoing activities at these centers, but will allow a significant expansion in the number of research grants offered to Russian scientists formerly employed in the development of missiles and chemical and biological warfare programs.

Section 303 also expresses the view of the conferees that frequent audits should be conducted of entities receiving ISTC funds. This will be necessary in light of the administration's interest in expanding the role of the ISTC to provide funds to redirect the expertise associated with the Soviet Union's biological warfare program. U.S. obligations under the Chemical and Biological Weapons Conventions, as well as under domestic law (e.g., P.L. 106-113), prohibit the furnishing of assistance to offensive biological warfare programs. It thus is essential that the United States audit entities that receive assistance to ensure that the United States is not contributing, albeit unknowingly, to an offensive biological warfare program (or to entities that are proliferating technology to rogue states). Moreover, the obligation to



conduct audits should be spread equitably throughout the United States Government.

#### TRIAL TRANSIT PROGRAM

Section 304, proposed by the Senate, authorizes \$5,000,000 in nonproliferation and export control funding to establish a static cargo x-ray facility in Malta, provided that the Government of Malta first gives satisfactory assurances that Maltese customs officials will engage in random cargo inspections of container traffic passing through the Malta Freeport, and will utilize the x-ray facility to examine random shipping containers.

Malta is the ideal location for a trial transit interdiction program. The country's location, along one of the busiest trade routes in the world, has made it a crucial shipping center. The Malta Freeport is ideally situated as a redistribution point, linking trade between Europe, Africa, the Middle East, and Asia. For instance, direct shipments from the Black Sea to Malta take less than 15 days. From various ports in Europe, Russia, and Asia, large cargo vessels offload their containers into the Freeport. The containers are then stored temporarily and are reloaded onto smaller "feeder" vessels which service ports in North Africa, including Libya. The Freeport went into operation in April 1990. According to Maltese Freeport documents, that year alone, 231 vessels offloaded 94,500 containers. Since that time, the volume of activity at the port has steadily increased. In 1996, the number of ships calling at the Freeport reached 1,383. Nearly 600,000 containers transited the facility that year. For 1999, according to a January 10, 2000 article in a Maltese daily newspaper, 1,464 container ships utilized the Freeport. At this time, estimates of container traffic are not available, but presumably the number will exceed half a million.

The steadily rising level of container traffic in the Freeport is noteworthy. The volume can be expected to increase if plans to further expand the port's services are implemented, thereby making one of the world's largest deepwater ports all the more robust. The Malta Freeport Act, which establishes the Freeport as a legally separate entity from Malta proper, creates specific proliferation concerns. Currently the Freeport has its own Minister, and customs functions have been conferred upon the Freeport Authority which he oversees. Maltese Customs does not receive information on transshipments, and may not operate in the Freeport without permission. While the Freeport has never refused such a request, the fundamental lack of transparency, and the inability of Maltese customs to conduct random inspections, means that effective export enforcement is impossible at this time.

The conferees are concerned with this situation since Malta is undeniably being used as a transit point by various entities engaged in weapons proliferation. For example, in one instance of excellent cooperation between the Freeport and Maltese Customs officials, a shipment of chemical warfare precursor chemicals was seized. Similarly, the United Kingdom recently uncovered a massive shipment of missile parts slated for air delivery to Libya via Malta. While this latter incident did not involve the Freeport, it nevertheless is further evidence that various countries are seeking to use Malta as a transit point for deliveries of dangerous commodities to North Africa.

The conferees note that Maltese-U.S. relations have steadily improved over the past several years. The Government of Malta has demonstrated a genuine commitment to nonproliferation and bolstering its export control capability. Therefore the conferees favor initiation of a trial transit program with

Malta, provided that the Maltese Government takes the necessary steps to render this program viable (namely, by opening the Freeport to periodic, random inspections by Maltese Customs officials). The conferees hope that this program, if successful, might serve as a model for programs in other designated transit countries.

#### EXCEPTION TO AUTHORITY TO CONDUCT INSPECTIONS UNDER THE CHEMICAL WEAPONS CONVENTION IMPLEMENTATION ACT OF 1998

Section 305 was proposed by the Senate. The Chemical Weapons Convention, which was approved by the Senate in 1997, has an extensive inspection regime which allows potentially intrusive inspections of chemical companies in the United States. The Senate was concerned about the threat posed to business proprietary information during the course of an inspection. As a result, the Chemical Weapons Convention Implementation Act of 1998 imposes a requirement that a special agent of the Federal Bureau of Investigation (FBI) accompany every inspection conducted in the United States.

However, there is minimal benefit to the FBI's monitoring of inspections at chemical destruction sites. Such inspections pose little risk to national security or trade secrets and—because of their lengthy duration—a constant FBI presence would be expensive to maintain. This section gives the FBI an exemption from the requirement to be present at inspections of U.S. chemical destruction facilities.

#### TITLE IV—ANTITERRORISM ASSISTANCE

##### AUTHORIZATION OF APPROPRIATIONS

Section 401, which has been modified from the Senate proposal, authorizes \$72,000,000 for fiscal year 2001 and \$73,000,000 for fiscal year 2002 in antiterrorism assistance. The administration request for anti-terrorism assistance for fiscal year 2001 is \$72,000,000 (including the request for the Terrorist Interdiction Program (TIP)). The actual level of funding for fiscal year 2000, including the TIP, is \$38,000,000.

#### TITLE V—INTEGRATED SECURITY ASSISTANCE PLANNING

##### Subtitle A—Establishment of a National Security Assistance Strategy

##### NATIONAL SECURITY ASSISTANCE STRATEGY

Section 501, which has been modified from the Senate proposal, strongly urges the annual preparation of a National Security Assistance Strategy (NSAS) to be submitted in connection with the annual foreign operations budget request. The purpose of the NSAS is to establish a clear and coherent multi-year plan, on a country by country basis, regarding U.S. security assistance programs. The current process utilized by the United States Government is entirely insufficient and is run, on an ad hoc basis. Seldom is a thoroughly researched, thoroughly justified proposal for security assistance put forward to Congress. This, in turn, has encouraged parallel Congressional initiatives and earmarks which often are put forward with a comparable level of foresight and planning. As a result, it seems that the Political-Military Affairs Bureau of the Department of State does not currently possess sufficient control over the allocation of security assistance funds, despite its clear mandate to manage these programs (except for nonproliferation assistance).

Currently there is no clearly articulated organizing principle for U.S. military assistance. Nor is there a coherent set of benchmarks, or measurements, against which the success of individual programs with various countries can be measured. As a result, military assistance funding proposals are often vague and seemingly unjustified. For in-

stance, the most recent Congressional presentation documents justify the provision of FMF for Southeast Europe as "contributing to regional stability in Southeast Europe by promoting military reform." No further elaboration is given. It is hardly surprising, in light of this sort of justification, that the administration's security assistance requests seldom are fully funded by Congress.

The conferees urge the Department of State to transform fundamentally the way that the United States conceptualizes security assistance. Utilizing a model more akin to the Department of Defense's planning process, the Department of State is encouraged to pull together a comprehensive multi-year plan, which will evolve on an annual basis, setting forth a specific programmatic objective for each country and explaining how the requested funds will accomplish that objective. Additional, secondary objectives should be added as necessary. The conferees believe that the plan for each country should be developed at the U.S. mission level, and should be coordinated by the Department of State with all relevant U.S. government agencies with a role in U.S. security assistance programs. The bottom-up document that results is then to be coordinated with the top-down policy guidance set forth in the National Security Strategy of the United States, and by the Secretary of State (in coordination with the Secretary of Defense and the Chairman of the Joint Chiefs of Staff, and in consultation with other relevant agencies, including the intelligence community).

The conferees expect the resultant document to be a comprehensive National Security Assistance Strategy which provides a robust, detailed justification for security assistance funding that is requested. Rather than the current process, which yields unclear and unmeasurable objectives for U.S. security assistance programs, it is expected that the NSAS process will ensure that the type and amount of assistance given a country is determined programmatically. Progress can thus be measured by the administration and the Congress. In turn, the conferees anticipate that such an initiative, led by the Political-Military Affairs Bureau of the Department of State, will substantially improve Congressional understanding of the administration's initiatives and bolster Congressional support for the President's military assistance request.

##### SUBTITLE B—ALLOCATIONS FOR CERTAIN COUNTRIES

##### SECURITY ASSISTANCE FOR NEW NATO MEMBERS

Section 511, which has been modified from the Senate proposal, authorizes \$30,300,000 for fiscal year 2001 and \$35,000,000 for fiscal year 2002 in grant Foreign Military Financing for the Czech Republic, Hungary, and Poland. Section 511 also authorizes \$5,100,000 for fiscal year 2001 and \$7,000,000 for fiscal year 2002 in IMET funding for these three new NATO members. The administration request for fiscal year 2001 for these three countries is \$30,300,000 in grant FMF and \$5,100,000 in IMET funding. The actual level of grant FMF funding for the three for fiscal year 2000 is \$22,000,000. The actual level for IMET funding for fiscal year 2000 is \$4,570,000.

Section 511 also directs the President to give priority to supporting the objectives set forth by the Senate in its resolution of ratification for the protocols adding the three new NATO members. Specifically, the conferees expect the administration to ensure that FMF and IMET funding is used to support the ability of Poland, Hungary, and the Czech Republic to fulfill their collective defense requirements under Article V of the Washington Treaty. The conferees also expect the administration to use the additional

funds provided to expand U.S. efforts to improve the ability of these countries to protect themselves from hostile foreign intelligence services.

#### INCREASED TRAINING ASSISTANCE FOR GREECE AND TURKEY

Section 512, which has been modified from the Senate proposal, authorizes \$1,000,000 in IMET funding for Greece and \$2,500,000 in IMET funding for Turkey for each of the fiscal years 2001 and 2002. The administration request for IMET for fiscal year 2001 is \$25,000 for Greece and \$1,600,000 for Turkey. The actual level of IMET funding for Greece for fiscal year 2000 is \$25,000. For Turkey, the actual level of IMET funding for fiscal year 2000 is \$1,500,000.

The conferees are encouraged by numerous indications of a warming in Greek-Turkish relations. This improvement has manifested itself in several ways, ranging from Greek agreement to Turkish candidacy for membership in the European Union to the large number of bilateral agreements that have recently been signed during reciprocal visits of foreign ministers (including agreements on transportation, tourism, cultural heritage, and customs issues). In the interest of bolstering this process the conferees authorize a substantial increase in funds for International Military Education and Training (IMET). It is the conferees' expectation that the administration will use these additional funds to support the process of rapprochement between Greece and Turkey. Specifically, the conferees urge the administration to ensure that \$1,000,000 of the additional resources, evenly divided between the two countries, is used for joint professional military education of Greek and Turkish officers. The conferees note that this type of training will build personal relationships between the militaries of these two important NATO allies, and will reinforce the process that is already underway.

#### ASSISTANCE FOR ISRAEL

Section 513, which has been modified from the Senate proposal, sets into place the formula for a phase-out of annual U.S. Economic Support Funds to Israel. Operating from a baseline of \$1.2 billion ESF per annum, beginning in FY 1999, the United States and Israel agreed to a plan whereby Israel's annual economic assistance would be reduced in equal increments of 10 percent (equivalent to \$120,000,000 per annum), resulting in the ultimate elimination of ESF for Israel. In order to ensure Israel's continued security in the face of the loss of annual economic support, Israel requested—and the United States agreed to—an annual increase in Foreign Military Finance equal to half the reduced ESF amount (or \$60,000,000). Section 513 authorizes this process for both fiscal years 2001 and 2002, and will result in an aggregate reduction in authorized foreign assistance of \$120,000,000. Specifically, this section authorizes \$1,980,000,000 for fiscal year 2001 and \$2,040,000,000 for fiscal year 2002 in FMF. The administration's request for fiscal year 2001 is \$1,980,000,000.

The authorization provided by the section is without prejudice to any rescissions or supplemental appropriations which might be required. The conferees intend for this formula for the reduction of Israel's ESF be in place through fiscal year 2008, and intend to authorize accordingly in future Acts.

In addition, this section directs that FMF funds for Israel for fiscal year 2001 be disbursed not later than 30 days after enactment of this Act or on October 31, 2000, whichever is later. To the extent that Israel makes a request, FMF funds shall, as agreed by Israel and the United States, be available for advanced weapons systems. Additionally, not less than \$520,000,000 can be used for pro-

curement in Israel of defense articles and defense services, including research and development. The conferees expect that Israel's annual aid package will be provided under the usual terms, including early disbursement of both ESF and FMF, offshore procurement, and that the aid will be provided in the form of a grant.

The conferees will view favorably additional requests for authority required in the event of a peace agreement in the Middle East.

#### ASSISTANCE FOR EGYPT

Section 514, which has been modified from the Senate proposal, provides a similar formula for Egypt as that applied under Section 513. In providing an authorization for ESF to Egypt for fiscal years 2001 and 2002, Section 514 sets in place the phase-out of Economic Support Funds for Egypt at a rate of \$40,000,000 per year. This section, which also contains a two-year authorization for FMF, will result in an aggregate reduction of \$80,000,000 in ESF. The authorization provided by the section is without prejudice to any rescissions or supplemental appropriations which might be required.

Further, the section directs that FMF estimated to be outlaid during fiscal year 2001 shall be disbursed to an interest bearing account for Egypt in the Federal Reserve Bank of New York. However, withdrawal of funds from the account can be made only on authenticated instructions from the Defense Finance and Accounting Service and, in the event that the interest bearing account is closed, the balance of the account is to be transferred promptly to the appropriations account for Foreign Military Financing. The conferees urge that before any of the interest accrued by the account is obligated, the Committees on Appropriations and Foreign Relations of the Senate, and the Committees on Appropriations and International Relations of the House, be notified.

#### SECURITY ASSISTANCE FOR CERTAIN COUNTRIES

Section 515, which has been modified from the Senate proposal, provides individual authorizations for fiscal years 2001 and 2002 of grant FMF and IMET funding for various countries.

#### BORDER SECURITY AND TERRITORIAL INDEPENDENCE

Section 516, which has been modified from the Senate proposal, provides an integrated authorization of security assistance funds for the GUUAM countries (e.g., Georgia, Ukraine, Uzbekistan, Azerbaijan, and Moldova) and Armenia. Specifically, for fiscal year 2001, Section 516 authorizes a package of \$5,000,000 in grant FMF, \$2,000,000 in nonproliferation and export control assistance, \$500,000 in IMET funding, and \$1,000,000 in antiterrorism assistance. For fiscal year 2002, that package is: \$20,000,000 in grant FMF, \$10,000,000 in nonproliferation and export control assistance, \$5,000,000 in IMET funding, and \$2,000,000 in antiterrorism assistance. These funds must be expended in accordance with the individual requirements of their respective accounts. Thus, for instance, the grant FMF may only be utilized for activities authorized in connection with the FMF program. Likewise, nonproliferation and export control funds must be spent on the objectives set forth under Chapter 9 of the Foreign Assistance Act of 1961. Similar restrictions apply to the other authorized forms of security assistance. Thus, as assistance to Azerbaijan under this section is still subject to section 907 of the FREEDOM Support Act, such assistance may be provided only for antiterrorism or nonproliferation and export control purposes.

The funds authorized under Section 516 must be spent for the purpose of assisting

the GUUAM countries and Armenia in strengthening control of their borders, and for the purpose of promoting the independence and territorial sovereignty of these countries. These funds also are specifically authorized, pursuant to Section 499C of the Foreign Assistance Act of 1961, for the purpose of enhancing the abilities of the national border guards, coast guard, and customs officials of the GUUAM countries and Armenia to secure their borders against narcotics trafficking, proliferation, and transnational organized crime. The conferees intend that funds authorized by this section be used in Uzbekistan solely for nonproliferation purposes. Finally, it bears emphasizing that the conferees strongly support the cooperation on political, security, and economic matters promoted and facilitated through the GUUAM group. The United States should promote these endeavors as part of its strategy to help these states consolidate their independence and strengthen their sovereignty, to help resolve and prevent conflicts in their respective regions, and to promote democracy and human rights. In addition, the conferees strongly support political, security, and economic cooperation between the United States and Armenia.

Finally, the conferees note the successes of the Department of Defense's two international counterproliferation programs—the DOD/FBI Counterproliferation Program and the DOD/Customs Counterproliferation Program. With minimal funding, and through excellent management, these programs are contributing to efforts to halt the spread of dangerous technology across the borders of the former Soviet Union, Eastern and Central Europe, and the Baltic states. The conferees hope that the Department of Defense will continue to support these programs and recommend that the Department of State coordinate closely with the Department of Defense on proliferation matters.

#### TITLE VI—TRANSFERS OF NAVAL VESSELS AUTHORITY TO TRANSFER NAVAL VESSELS TO CERTAIN FOREIGN COUNTRIES

Section 601 of the conference agreement, similar in the House and Senate proposals, provides authority to the President to transfer twelve naval vessels to Brazil, Chile, Greece, and Turkey. These naval vessels either displace in excess of 3,000 tons, or are less than 20 years of age. Therefore statutory approval for the transfers is required under 10 U.S.C. 7307(a). The two PERRY class frigates proposed for transfer to Turkey under lease/sale authority were approved by Congress to be transferred to Turkey by sale in the fiscal year 2000 ship transfer legislation. Because of Turkish financial uncertainties caused by recent natural disasters, however, this proposal, which is in addition to the sale authority previously granted, is needed to give Turkey some flexibility in determining the most appropriate means to acquire the ships. Two KNOX class frigates are proposed in this section to be transferred to Greece on a grant basis.

#### INAPPLICABILITY OF AGGREGATE ANNUAL LIMITATION ON VALUE OF TRANSFERRED EXCESS DEFENSE ARTICLES

Section 602 of the conference agreement, similar in the House and Senate proposals, ensures that the value of naval vessels authorized for transfer by grant by this Act will not be included in determining the aggregate value of transferred excess defense articles.

#### COSTS OF TRANSFERS

Section 603 of the conference agreement, identical in the House and Senate proposals, provides that all costs are to be borne by the foreign recipients, including fleet turnover costs, maintenance, repairs, and training.

#### CONDITIONS RELATING TO COMBINED LEASE-SALE TRANSFERS

Section 604 of the conference agreement, identical in the House and Senate proposals, authorizes the transfer of high value ships on a combined lease-sale basis under Section 61 and 21 of the Arms Export Control Act (22 U.S.C. 2796 and 2761 respectively).

#### FUNDING OF CERTAIN COSTS OF TRANSFERS

Section 605 of the conference agreement, identical in the House and Senate proposals, provides authorization for the appropriation of funds that may be necessary for the costs of the combined lease-sale transfers in order to satisfy the requirements of 2 U.S.C. 661c. These funds are authorized to be appropriated into the Defense Vessels Transfer Program Account, which was established in the fiscal year 1999 transfer legislation.

#### REPAIR AND REFURBISHMENT IN UNITED STATES SHIPYARDS

Section 606 of the conference agreement, proposed by the House, requires the President, to the maximum extent practicable, to ensure that repair and refurbishment of naval vessels authorized for transfer under this title is performed in U.S. shipyards, including U.S. Navy shipyards.

#### SENSE OF CONGRESS REGARDING TRANSFER OF NAVAL VESSELS ON A GRANT BASIS

Section 607 of the conference agreement, proposed by the House, expresses the sense of Congress that naval vessels authorized for transfer to foreign countries on a grant basis under section 516 of the Foreign Assistance Act should be transferred only if the U.S. receives appropriate benefits from such countries.

#### EXPIRATION OF AUTHORITY

Section 608 of the conference agreement, identical in the House and Senate proposals, provides that the transfers authorized by this Act must be executed within two years of the date of enactment. This allows a reasonable opportunity for agreement on terms and for execution of the transfer.

#### TITLE VII—MISCELLANEOUS PROVISIONS

##### UTILIZATION OF DEFENSE ARTICLES AND SERVICES

Section 701, proposed by the Senate, amends Section 502 of the Foreign Assistance Act of 1961 to make clear that defense articles and services may be furnished by the United States to foreign nations for antiterrorism or nonproliferation purposes (in addition to other currently authorized purposes).

##### ANNUAL MILITARY ASSISTANCE REPORT

Section 702 of the conference agreement, proposed by the House, requires the State Department to include information in the annual military assistance report required by section 655 of the Foreign Assistance Act which identifies the quantity of exports of weapons furnished on a direct commercial sales basis. The so-called "655 report" provides a timely and comprehensive account of U.S. arms transfers. This provision will close a long-standing gap by ensuring that the State Department provides information not only on the quantity of approved licenses for Direct Commercial Sales (DCS) but also on the quantity of actual deliveries of weapons exported pursuant to the DCS authority during the fiscal year covered by the report, specifying, if necessary, whether such deliveries were licensed in preceding fiscal year.

##### REPORT ON GOVERNMENT-TO-GOVERNMENT ARMS SALES END-USE MONITORING PROGRAM

Section 703 of the conference agreement, proposed by the House, requires the President to submit a report on the status of efforts by the Defense Security Cooperation Agency (DSCA) to implement its plan to en-

hance end-use monitoring on government-to-government arms transfers to foreign countries.

The conferees direct the State Department to provide DSCA complete copies of all end-use violation and prior consent reports required under section 3 of the Arms Export Control Act.

#### MTCR REPORT TRANSMITTAL

Section 704 includes the Senate Committee on Banking in an infrequent report required under the Arms Export Control Act.

#### STINGER MISSILES IN THE PERSIAN GULF REGION

Section 705, proposed by the Senate, permits the replacement, on a one-for-one basis, of Stinger missiles possessed by Bahrain and Saudi Arabia that are nearing the scheduled expiration of their shelf-life.

#### SENSE OF CONGRESS REGARDING EXCESS DEFENSE ARTICLES

Section 706, proposed by the Senate, calls on the President to sell more defense articles, rather than merely give them away, using the authority provided under Section 21 of the Arms Export Control Act. It urges the President to use the flexibility afforded by Section 47 of that Act to determine that "market value" of Excess Defense Articles and to sell such items at a price that can be negotiated. When the Department of Defense uses too rigid a definition of "market value," and that price cannot be commanded, the item is instead transferred on a "grant" basis pursuant to Section 516 of the Foreign Assistance Act of 1961, thereby forgoing revenues. This section encourages the Department of Defense to ascertain the "market value" on the basis of local market conditions rather than solely on the basis of a generic formula applied by the Department of Defense for accounting purposes.

#### EXCESS DEFENSE ARTICLES FOR MONGOLIA

Section 707 of the Conference agreement, which has been modified from the House proposal, provides authority to furnish grant excess defense articles (EDA) and services to Mongolia for fiscal years 2001 and 2002. Unfortunately, given the weak nature of its national economy, which has led to difficulty in funding its military budget, Mongolia cannot afford the cost of packing, crating, handling, and transportation of EDA, even if the EDA itself is provided at no cost. Section 707 provides the Department of Defense with the authority to absorb the cost of transporting EDA to Mongolia, thereby allowing the receipt of much needed equipment. However, the Committee intends to continue the practice of requiring from the Department of Defense a detailed description of such costs in each proposed transfer. Were such costs to grow beyond a reasonable level, the Committee's continued support for such authorities would be jeopardized.

#### SPACE COOPERATION WITH RUSSIAN PERSONS

Section 708 has been modified from the Senate proposal. This section amends the Arms Export Control Act, provides for increased reporting and certification to Congress, and expands the ability of the President to regulate missile-related cooperation by providing him with the discretionary authority to terminate contracts in the event that he determines that a violation of the MTCR sanctions law (Section 13(a)(1) of the Arms Export Control Act) has occurred.

Currently, Chapter 7 of the Arms Export Control Act imposes mandatory sanctions on proliferating entities. However, those sanctions apply only to prospective licenses and contracts. The authority does not exist, within Chapter 7, to terminate an existing license in the event that an individual has been discovered to have proliferated missile technology subsequent to the granting of the

license. This deficiency became apparent in discussions with the administration regarding the proposed co-production arrangement between Lockheed Martin and a Russian rocket-engine firm, NPO Energomash. Section 708 provides that missing authority to the President, should he choose to utilize it. It is important to underscore that this authority is completely discretionary.

Section 708 also requires the President to make an annual certification to the Committee that various Russian space and missile entities doing business with the United States are not identified in the report required pursuant to the Iran Nonproliferation Act of 2000. These certifications must be made annually for the first five years of a license between a U.S. firm and a Russian entity (or for the life of the license, if less than five years). However, there is no penalty in the event that a certification cannot be made (presumably because the person or entity has been listed in the report). The MTCR sanctions law only operates in the event that the President makes a formal determination that a transfer, or a conspiracy to transfer, occurred. While the certification required under Section 708 does not go beyond the annual report that the President is required to submit to Congress under the Iran Nonproliferation Act of 2000, it is nevertheless useful because it will ensure that the Department of State continues to focus on Russian entities doing business with the United States. This provision is also intended to encourage U.S. companies working with Russian space entities to maintain pressure on their counterparts not to proliferate technology to Iran.

Finally, Section 708 rectifies an unintended reporting loophole in the Arms Export Control Act that resulted from amendments to integrate the Arms Control and Disarmament Agency within the Department of State and a subsequent decision by the Department of State on licensing technical exchanges and brokering services under Section 36 of the AECA. Specifically, for MTCR-related transfers governed under Section 36(b) and (c) which fall below the Congressional notification threshold, the administration currently must nevertheless submit a report to the Committee explaining the consistency of such a transfer with U.S. MTCR policy. However, MTCR-related licenses covered by Section 36(d) which fall below the notification threshold are not captured fully by this reporting requirement. Section 708 rectifies this problem.

#### SENSE OF CONGRESS RELATING TO MILITARY EQUIPMENT FOR THE PHILIPPINES

Section 709 of the conference agreement, proposed by the House, expresses the sense of the Congress that the U.S. should work with the Government of the Philippines to enable them to procure certain military equipment to upgrade the capabilities and improve the quality of life of the armed forces of the Philippines.

#### WAIVER OF CERTAIN COSTS

Section 710 of the conference agreement, proposed by the House, waives the requirement to collect certain nonrecurring charges associated with the government-to-government sale of 5 UH-60L helicopters to Colombia in November of 1999.

BENJAMIN A. GILMAN,  
BILL GOODLING,  
SAM GEJDENSON,

*Managers on the Part of the House.*

JESSE HELMS,  
RICHARD G. LUGAR,  
CHUCK HAGEL,  
JOE BIDEN,  
PAUL S. SARBANES,

*Managers on the Part of the Senate.*

## IMPACT AID THEFT

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Colorado (Mr. SCHAFFER) is recognized for 5 minutes.

Mr. SCHAFFER. Madam Speaker, something pretty positive happened in Hyattsville, Maryland that I want to discuss; it happened particularly at a Chevrolet dealership, at the Lustine Chevrolet dealership. It was there that a sales agent happened upon a scandal that affects the United States Department of Education, a theft of about \$2 million that this sales agent stumbled upon and called the FBI, and it resulted in a hearing that was conducted earlier today in the Committee on Education and the Workforce; specifically, the Subcommittee on Oversight and Investigations.

The Justice Department, back in July of 2000, filed a claim in Federal court that Impact Aid funds, these are the funds that are sent to assist districts responsible for educating children connected with Federal facilities; military installations usually, sometimes Indian reservations, that these Impact Aid funds intended for two school districts in South Dakota were stolen on March 31 of this year. These alleged facts were presented in the Justice Department's complaint for forfeiture, which it filed in order to recover the stolen money and property and try to get these dollars back to the children in South Dakota.

Here is how it worked. There was a falsified, direct deposit sign-up form for the Bennett County, South Dakota school district that was submitted to the Department of Education on March 20 of this year, and on the form, the deposit bank account was changed from the correct bank account number, which was used by the school district, to a number under the name of Dany Enterprises. The Department of Education employee entered these forms and this false information into the agency's electronic accounting system. Consequently, the Impact Aid forms were wired on March 31 to the Dany Enterprises bank account, to the thief's bank account.

Now, this fraud was discovered thereafter on April 4 when a salesperson at the Chevrolet dealership in Hyattsville, Maryland, when he contacted the FBI to report this suspicious transaction involving two men trying to buy a Chevy vehicle with a \$48,000 cashier's check, drawing on the stolen funds from the U.S. Department of Education that were deposited in the thief's account, Dany Enterprises account. The salesman was alerted by what appeared to be false credit information.

Now, although this Chevrolet salesman refused to sell the two men the car, they were each successful in purchasing a car from other dealers in the Washington, D.C. area. Now, one of them purchased a 2000 Cadillac Escalade from a Cadillac dealer using a \$46,900 cashier's check, and the other person purchased a Lincoln Navigator

from a Lincoln Mercury dealer, using a \$50,000 cashier's check. These checks were used to buy both of these cars and they drew on the stolen funds from the Department of Education which were intended to go to the school in South Dakota.

Madam Speaker, I mention all of this because the Subcommittee on Oversight and Investigation has been working very hard to try to divert dollars away from the waste, fraud and abuse that is rampant over in the Department and move these dollars back to our classrooms where they benefit children.

The story did not end there, because following these revelations, the FBI found another example of where another cash transaction, this time almost \$1 million which was intended for another South Dakota school district was again stolen out of these Impact Aid funds and wired to an account called Children's Cottage, Incorporated, due to another fraudulently submitted direct deposit form. This was used to buy a house as it turns out somewhere here in the Maryland area.

Now, this committee hearing that we had today was one of an ongoing series of committee hearings that we have initiated to uncover and explore the theft, fraud and abuse and waste in the Department of Education. We have also been learning about a computer theft ring where Department of Education employees have come up with this elaborate system where they have stolen television sets, electronic equipment, and so on and so forth.

Madam Speaker, we are spending as a Congress about \$40 million a year for various investigators, financial auditors, other investigators that are working over in the Department of Education to try to help us stop this waste, fraud and abuse within the Department of Education and to help us get these dollars to our children and classrooms where these dollars matter most. But in this case, we are thankful for the car agent who did what the high-priced auditors were unable to do, and in this case, it has a very positive ending. He has reunited these almost \$2 million with the children of South Dakota who need them. I wanted to bring that to the attention of my colleagues.

## PIPELINE SAFETY

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from New Jersey (Mr. PASCRELL) is recognized for 5 minutes.

Mr. PASCRELL. Madam Speaker, I rise this evening to command the attention of my colleagues to a potentially deadly and amazingly overlooked aspect of public safety, the construction of oil and natural gas pipelines in America.

Unbeknownst to millions of Americans, their homes, their schools and communities are sitting atop hundreds of miles of pipelines that may explode at any moment if not properly constructed or if not properly maintained.

We all received a rude awakening to the likelihood of tragedy this past August. A pipeline exploded one August morning on a camping ground in Carlsbad, New Mexico, taking the lives of 11 men, women and children. Our Speaker pro tempore knows firsthand of this tragedy. Forty-eight hours later, on the other side of the country, a bulldozer ruptured a gas pipeline on a construction site in North Carolina. Luckily, no serious injuries were reported there. Of the 226 people that died between 1989 and 1998, according to a report issued by the General Accounting Office, these were some of 1030 who were injured, \$700 million in property was damaged. This is unbelievable. It is unacceptable.

Madam Speaker, it is time for Congress to demand that the office of pipeline safety within the Department of Transportation do their job. Periodic pipeline inspections, rigorously report pipeline spills.

Let me give my colleagues an idea about the status of pipeline safety, Madam Speaker, in the United States right now. All of the Nation's natural gas, in about 65 percent of crude and refined oil, travel through a network of nearly 2.2 million miles of pipes. These pipelines need constant attention and repair to remain safe. Over 6.3 million gallons of oil and other hazardous liquids are reportedly released from pipelines on the average each year.

□ 1915

Yet the incidence of spills and explosions is getting worse. The amount of oil and other hazardous liquids released per incident has been increasing since 1993. The average amount released from a pipeline spill in 1998 was over 45,000 gallons.

Oil pipeline leaks can and do contaminate drinking water, crops, residential land. They generate greenhouse gases, kill fish, cause deaths and injuries from explosions and fires.

For one, there is little or no enforcement of existing regulations. The General Accounting Office found that the Office of Pipeline Safety had not enforced 22 of the 49 safety regulations that are already on the book. And right now there are pipelines, natural gas pipelines, starting all over America. Some of these pipelines are going through college dormitories in my own State of New Jersey; going through people's residential areas in Pennsylvania and Ohio. And I say there is something wrong. This was a wilderness area. These people were fishing in New Mexico. This was not a densely populated area when 11 Americans were killed.

The Office of Pipeline Safety has not acted on many National Transportation Safety Board recommendations for more stringent pipeline standards. This sort of inattention is mysterious. Why would the agency, whose sole purpose it is to regulate and monitor these pipelines, keep them safe, be so uninterested in their duties? It is enough to